



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

July 3, 2013

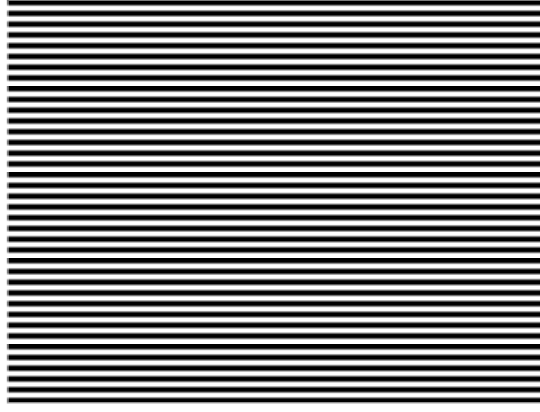
Contact: Andy Nielsen
515/281-5835

The Office of Auditor of State today released a report on the State University of Iowa, Iowa City, Iowa for the year ended June 30, 2012. The State University of Iowa (University of Iowa) previously released its annual financial report for the year ended June 30, 2012.

The University of Iowa is governed by the Board of Regents. For the year ended June 30, 2012, the full-time equivalent student enrollment was 29,319 with an average cost per student of \$17,956, compared to 28,977 students and an average cost of \$17,646 for the year ended June 30, 2011. The University Hospitals and Clinics provided a total of 195,262 patient days at an average daily cost per patient of \$5,028 for the year ended June 30, 2012, compared to 196,482 patient days at an average daily cost per patient of \$4,696 for the year ended June 30, 2011.

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/1361-8010-BR00.pdf>.

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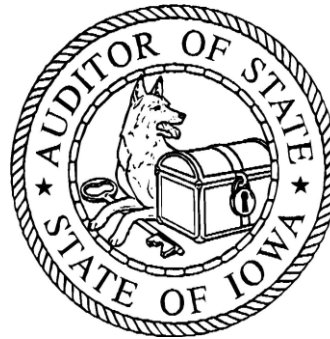


**REPORT OF RECOMMENDATIONS TO THE
STATE UNIVERSITY OF IOWA**

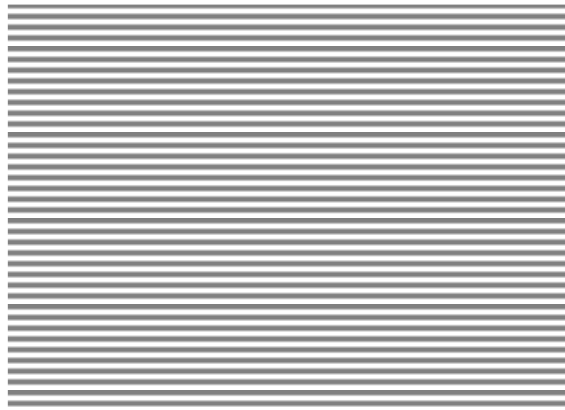
JUNE 30, 2012

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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June 28, 2013

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


The State University of Iowa (University) 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, 2012. We have also audited the financial statements of the University as of and for the year ended June 30, 2012 and have issued our report thereon dated December 14, 2012.

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 9 and 10 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, 2012, 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 8 and they are available to discuss these matters with you.


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, 2012

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

- (A) Payroll Overpayments – The University incorrectly made 309 payroll overpayments totaling \$805,095 during the year ended June 30, 2012, which is an increase of \$159,354 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.

Response – The State Auditor's Office in its annual Report of Recommendations for FY 2010, FY 2011 and FY 2012 recommended the University improve internal controls over its payroll processes to reduce the number of salary overpayments (most of which are promptly collected) made each year. The report of recommendations for FY 2010 was received in June 2011 which was too late to implement corrective actions that could impact FY 2011. Upon receiving the Auditor's report of recommendations the University immediately created a team to identify methods to reduce the number of salary overpayments that occur each year. The University is pleased to report that overpayments have been reduced by approximately 60% reporting 121 overpayments in FY 2013 (note this excludes the July 1 payroll so actual totals for the year will likely be slightly higher) in comparison to the 327 overpayments reported in FY 2011. The University will remain diligent and continue implementing process improvements to further reduce overpayments and to promptly collect ones that are made.

Below are some of the major initiatives undertaken by the University to reduce the number of overpayments:

- (1) University HR created an Overpayment Task Force Committee to develop and vet a list of possible action items.
- (2) Presented overpayment prevention materials and strategies to campus groups in order to increase awareness of the tools and reports available to departments and to reiterate the importance of timely submission of HR transactions.
- (3) Created a Best Practices Document and distributed it to Budget Officers and Human Resource staff. The document is also on various user websites and included in supervisor training materials.
- (4) Revised several Human Resource reports and the transaction processing system to include more detailed information which will be useful in tracking personnel data and preventing overpayments.
- (5) Began periodic automated e-mail messages encouraging recipients to review employee status reports and take corrective action before payroll cutoff dates.

Report of Recommendations to the University of Iowa

June 30, 2012

- (6) Added additional metrics to be reviewed at the annual meeting between the Vice President for Human Resources and department Senior Human Resource Representatives.
- (7) Developed an Overpayment Case Management System. The system was made available to campus in February 2013 and is designed to make administrators more accountable for overpayments, identify overpayment trends and develop additional prevention measures.

Quarterly reviews by Senior Management in HR and the Controller's Office occurs where each overpayment is analyzed and any corrective action is taken which has not already occurred.

University Human Resources will continue to emphasize to departmental HR Staff and supervisors the importance of processing employee appointment changes in a timely manner and will continue to identify technology resources and other process improvements to be utilized in preventing overpayments.

Finally, the University continues to seek reimbursement of every overpayment. The amount uncollected is on average around 5% of the cumulative total overpayment for the year.

Conclusion – Response accepted.

- (B) TDR Transactions – University policy requires monthly review of transactions appearing in the Transaction Detail Report (TDR). In certain instances, account owners are allowed to perform alternate procedures to ensure accounts are accurate. During the year, not all accounts were reviewed in accordance with policy. In addition, not all journal entries made by Accounting and Financial Reporting during the financial reporting process were adequately reviewed by an independent person.

Recommendation – The University should ensure transactions are reviewed in accordance with University policy.

Response – The Controller's Office regularly communicates with collegiate and departmental staff emphasizing the importance of reconciling and reviewing transactions in a timely manner. Here are some examples of the ways this requirement is communicated to improve compliance with the policy on review of transactions:

- (1) Throughout the year, Budget Officers are reminded in person and via email to work with their Department Administrators, Account Owners and Account Reviewers to reconcile their accounts. Training courses offered by central administration also reinforce the importance of reconciling accounts.
- (2) In addition, there is a web-based Reconciliation Status Report available to all Budget Officers and Administrators to view the status of their accounts.
- (3) Finally, the Controller's Office will soon release to all departments an Electronic Financial Report Dashboard tool ("EFR Dashboard") that will be accessible to all Budget Officers and Departmental Administrators through the University's electronic Self-Service System. The Dashboard will provide these high-level fiscal officers with a tool which shows the reconciliation status profile of all of their accounts. The tool includes easy-to-understand color-coded graphs/charts and also provides the functionality to drilldown all the way from Org level status to

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June 30, 2012

WhoKey (GL account) level status. Furthermore, it provides the functionality to open and reconcile TDR's directly from the Dashboard. EFR Dashboard will help to make important metrics such as TDR Reconciliation Status more visible to staff with business and finance responsibilities. As a result, the Controller's Office expects to see significant improvement in University-wide compliance with the transaction review policy beginning in FY 2014.

Regarding approval of journal entries made by Accounting and Financial Reporting staff – the Director of AFR reviews and approves all lead sheets which are the product of all journals, including period 15. All period 15 journals are discussed prior to posting to the General Ledger. Beginning with the FY 13 Close, we will create and maintain a log of all Period 15 entries which will contain documentation of review of journal entries.

Conclusion - Response accepted.

- (C) Encryption – Encryption helps protect sensitive information stored on portable devices by rendering data unintelligible to unauthorized users. Policies have been established, but encryption software has not been installed on all laptop computers and portable storage devices which could store sensitive information. Portable devices, including laptop computers and USB drives, present a risk to the University until they are encrypted.

Recommendation – University policies should be strengthened to ensure all portable devices are encrypted rather than relying on individual users to protect sensitive information.

Response – It has been University policy to require encryption of Level III (high sensitivity) data stored on mobile devices since 2006, with information, training, resources, and assistance available in numerous locations (Help Des, Security Office, and in Security Awareness Training). It has also been our policy to avoid the risks of loss, damage, breach, or exposure by storing institutional data on secure servers in enterprise data centers whenever possible, and to use encrypted communication channels to access it remotely from client devices. The overwhelming majority of portable devices used at the University of Iowa do not store any sensitive information. As the University of Iowa further embraces the “Bring Your Own Device” model of computing that we’ve used for decades, security is achieved using a strategy of providing application services remotely, and similarly providing access to information remotely through the web or through other methods such as data warehousing, keeping institutional assets protected and significantly more easily managed.

The purpose of disk encryption is to prevent exposure of information if the device is lost or stolen. University Risk Management reports that there have been 5 University laptop devices lost/stolen in the last 7 fiscal years; none had sensitive information stored on them. The University believes it would be prohibitively expensive, primarily in support resources, to reduce the residual risk. Staff resources to support the infrastructure necessary for a comprehensive portable device encryption service are not currently available in ITS, nor are there resources available in each unit to facilitate utilization of such a service. In addition, the capital cost to procure a managed campus solution for tens of thousands of devices would be significant.

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June 30, 2012

All University of Iowa IT policies, guidelines, and resources which address portable devices will be reviewed, and strengthened to support the requirements that any portable device which stores sensitive information, defined in our Institutional Data Access Policy as Level III information, must be fully encrypted. In addition, University policy will be further reinforced to require scanning of all mobile devices for sensitive information on a regular basis. Third, we will evaluate our training for and awareness of these policies to ensure they are appropriately communicated and followed.

Conclusion – Response acknowledged. Portable devices and laptop computers present a risk until encrypted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the University of Iowa

June 30, 2012

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:

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James H. Pitcher, CPA, Staff Auditor
Eric L. Rath, Staff Auditor
Ryan D. Baker, Assistant Auditor
Jessica L. Barloon, Assistant Auditor
April D. Harbst, Assistant Auditor
Thomas S. Hebert, Assistant Auditor
Kelsey J. Kranz, Assistant Auditor
Lacey D. Kriegel, Assistant Auditor
Trisha S. Schroeder, Assistant Auditor
Kaylynn D. Short, Assistant Auditor
Benjamin D. Scieszinski, Audit Intern

University of Iowa

Cost per Student
(unaudited)

Year ended June 30, 2012
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 626,949,595
Deduct:		
Expenditures not related to teaching programs:		
Research separately budgeted	\$ 18,365,660	
Extension and public service	2,814,356	
Student aid	<u>79,309,396</u>	<u>100,489,412</u>
Net expenditures for teaching programs		<u>\$ 526,460,183</u>
Full-time equivalent enrollment 2011-2012		<u>29,319</u>
Cost per student 2011-2012		<u>\$ 17,956</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2012 and the four previous years:

<u>Year</u>	<u>Enrollment</u>	<u>Cost per Student</u>
2011-2012	29,319	\$ 17,956
2010-2011	28,977	17,646
2009-2010	28,169	18,035
2008-2009	28,015	18,051
2007-2008	27,814	17,039

University of Iowa
University Hospitals and Clinics

Daily Cost per Patient
(unaudited)

Year ended June 30, 2012
with comparative figures for prior years

Total University Hospitals' expenses:	<u>\$ 981,872,462</u>
Total patient days 2011-2012	<u>195,262</u>
Daily cost per patient 2011-2012	<u>\$ 5,028</u>

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

<u>Year</u>	<u>Patient Days</u>	<u>Daily Cost per Patient</u>
2011-2012	195,262	\$ 5,028
2010-2011	196,482	4,596
2009-2010	182,820	4,609
2008-2009	193,196	4,472
2007-2008	194,480	4,032