

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

July 3, 2013

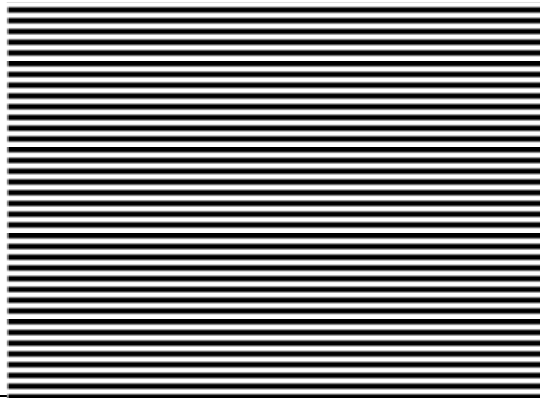
Contact: Andy Nielsen
515/281-5834

The Office of Auditor of State today released a report on Iowa State University of Science and Technology, Ames, Iowa, for the year ended June 30, 2012. Iowa State University of Science and Technology previously released its annual financial report for the year ended June 30, 2012.

Iowa State University of Science and Technology is governed by the Board of Regents. For the year ended June 30, 2012, the full-time equivalent student enrollment was 29,775 with an average cost per student of \$12,629, compared to 28,631 students and an average cost per student of \$12,264 for the year ended June 30, 2011.

A copy of the report is available for review at Iowa State University of Science and Technology, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1361-8020-BR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

JUNE 30, 2012

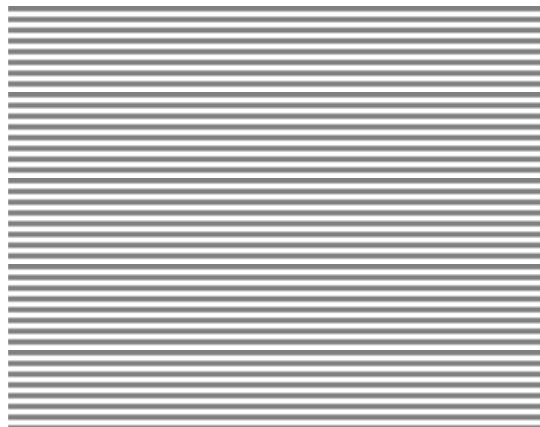
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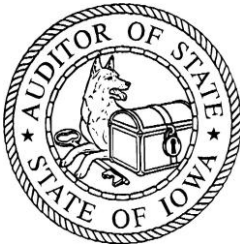
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June 28, 2013

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


Iowa State University of Science and Technology (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 and the State's Single Audit Report for the year ended June 30, 2012. We have also audited the financial statements of Iowa State 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 include those included in the State's Single Audit Report and other recommendations pertaining to the University's internal control. These recommendations have been discussed with University personnel and their responses to the recommendations are included in this report. While we have expressed our conclusions on the University's responses, we did not audit Iowa State University's responses and, accordingly, we express no opinion on them.

We have also included certain unaudited financial and other information on page 7 to report an average cost per student for Iowa State University 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 Iowa State University, citizens of the State of Iowa and other parties to whom Iowa State University 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.


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

Finding Reported in the State's Single Audit Report:

CFDA Number: 84.033 - Federal Work-Study Program

Agency Number: None

Federal Award Year: 2012

Mentoring Timesheet Hours Not Supported – The University is conducting an ongoing review related to the America Reads/America County component of Federal work study. The University has identified \$5,960 of unallowable costs paid from this program as a result of fraudulent activity. The University has notified the U.S. Department of Education and continues to review work study activity for additional fraudulent transactions. The University has indicated additional controls have been implemented to reduce the risk of this occurring again. Any additional unallowable costs or other concerns identified from this activity, if any, will be disclosed in the Schedule of Findings and Questioned Costs in subsequent years.

Recommendation – The University should continue to review for potential fraudulent transactions. The University should also communicate and work with the U.S. Department of Education to appropriately resolve this issue.

Response and Corrective Action Planned - The University has changed procedure to require all timesheets for students working in the America Reads/America Counts Program be faxed to the Office of Student Financial Aid by the site supervisor. Original timesheets must be mailed to the Office of Student Financial Aid and are retained for a period of three years. These procedures went into effect immediately upon determining fraudulent transactions occurred. The students involved faced disciplinary action and have made restitution for the unearned hours for which they were paid.

The University is continuing its review for potential fraudulent transactions and will continue its communication and work with the U.S. Department of Education until this issue is appropriately resolved.

Conclusion – Response accepted.

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

No matters were noted.

Other Finding Related to Internal Control:

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.

Report of Recommendations to Iowa State University

June 30, 2012

Response – Iowa State University’s draft Data Classification policy and Minimum Security Standards state data classified as high or moderate (all data protected by state or federal law) must be stored on encrypted storage. These draft policies will be finalized in FY 14 with a phase-in period on the Minimum Security Standards. It is also our policy to avoid the risks of loss, damage, breach, or exposure by storing institutional data on secure servers in the university 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 ISU do not store any sensitive information.

The purpose of disk encryption is to prevent exposure of information if the device is lost or stolen. University reports from various sources and collected by the ITS Security Office show there have been 2 university laptop devices lost/stolen in the last 5 fiscal years, none of which had sensitive information stored on them. Due to the infrequency of these losses and the lack of sensitive information on the majority of these devices, the University believes it would be prohibitively expensive and cost ineffective to require encryption of all portable devices.

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 Iowa State University

June 30, 2012

Staff:

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager
Patricia J. King, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

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Margaret E. Schlerman, Assistant Auditor
Karen S. Pathmaprakashan, Audit Intern
Alexander D. Weihs, Audit Intern

Report of Recommendations to Iowa State University

Cost per Student
(unaudited)

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

Total General Educational Fund expenditures (including ARRA SFSF cluster)		\$ 493,604,244
Deduct:		
Expenditures not related to teaching programs:		
General University Research	\$ 11,509,490	
Public Service	2,848,211	
Scholarships	<u>103,223,156</u>	<u>117,580,857</u>
Net expenditures for teaching programs		<u>\$ 376,023,387</u>
Full-time equivalent enrollment 2011-2012		<u>29,775</u>
Cost per student 2011-2012		<u>\$ 12,629</u>

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

Year	Enrollment	Cost per Student
2011-2012	29,775	\$12,629
2010-2011	28,631	12,264
2009-2010	27,985	12,632
2008-2009	26,768	13,207
2007-2008	25,937	12,582