

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

July 3, 2013

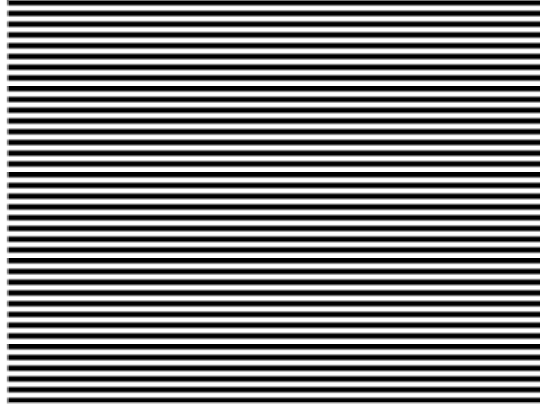
Contact: Andy Nielsen
515/281-5835

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

The University of Northern Iowa is governed by the Board of Regents. For the fiscal year ended June 30, 2012, the full-time equivalent student enrollment was 11,379 with an average cost per student of \$11,666, compared to 11,431 students and an average cost per student of \$11,408 for the fiscal year ended June 30, 2011.

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 website at <http://auditor.iowa.gov/reports/1361-8030-BR00.pdf>.

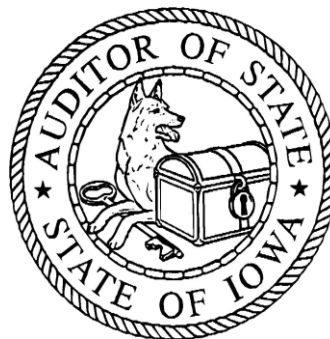
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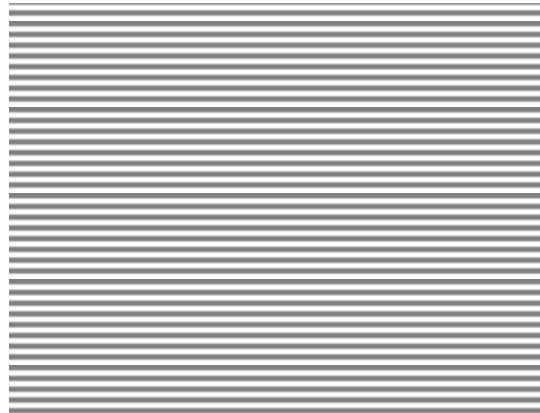
**REPORT OF RECOMMENDATIONS TO THE
UNIVERSITY OF NORTHERN IOWA**

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 University of Northern 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 November 30, 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 reported in the State's Single Audit Report and the University's Report on Internal Controls, as well as other recommendations pertaining to the University's internal control. These matters 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 page 12 to report an average cost per student for the 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 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 audits. Should you have any 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 11 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

University of Northern Iowa

June 30, 2012

Finding Reported in the State's Single Audit Report:

CFDA Number: 84.038 – Federal Perkins Loan Program_Federal Capital Contributions

Agency Number: None

Federal Award Year: 2012

Federal Reporting – The University is required to submit the “Federal Operations Report and Application to Participate” (FISAP) to the US Department of Education by October 1, 2012. The report is used to apply for Campus-Based Program funding for the upcoming award year and to report Campus-Based Program expenditures for the previous award year.

Our review of the FISAP identified a \$474,294 reconciling item between the ECSI system, which tracks federal student loan activity within the University and the University's Oracle e-business system. However, the reports supporting the reconciling item were not maintained. Because the system continuously updates, personnel are unable to recreate the report used to support the reconciling items. As a result, the University is unable to support the \$474,294 reconciling item used to calculate the “Cash on Hand” and “Funds advanced to Students” reported on the FISAP for the Federal Perkins Loan Program. In addition, the reconciling items which were to be posted to the ECSI and University accounting system were not made in 2012.

The final reconciliation of the Oracle e-business system to the ECSI system for Federal Perkins Loan Program at June 30, 2012 had not been completed at the time of the audit. Had this reconciliation been completed, it could have been used to verify the accuracy of reconciling items made to the FISAP.

Recommendation - Support for reconciling items between the ECSI system and the Oracle e-business system should be printed and maintained, especially for those which are time-sensitive and cannot be recreated.

Response – The University concurs that reconciling items between ECSI and Oracle e-business system should be identified and resolved timely. Documentation for such items will be maintained accordingly.

Conclusion – Response accepted.

June 30, 2012

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

INTERNAL CONTROL DEFICIENCIES:

(A) Capital Assets – The University has a capital asset system to track all assets over the capitalization thresholds and to calculate depreciation for the assets. The University employs a full time staff person to maintain the system. Concerns with the current procedures and the capital asset system include:

- a) Construction in Progress - The construction in progress lead schedule did not reconcile to the capital asset records maintained in the University's system.
- b) Depreciation - Depreciation was taken on items still listed as construction in progress as well as on one asset which had yet to be placed in service. Computer calculations for depreciation were not reviewed for accuracy resulting in a misstatement of depreciation expense for several assets.

Recommendation – The University should ensure reconciliations are prepared for all capital asset classes and depreciation calculations are reviewed to ensure depreciation is only taken on items placed in service.

Response - The University will implement procedures to ensure all capital assets are reconciled and reviewed appropriately for inclusion in the University's financial statements.

Conclusion – Response accepted.

(B) Student Information System - In July 2011, the University implemented the student accounts receivable module of its new PeopleSoft student information system (SIS). The SIS was designed to handle all aspects of the following student experiences at the University:

- Registration for classes.
- Applying for financial aid and posting aid awarded to student accounts.
- Billing tuition, fees, room and board and other charges incurred by students.
- Allowing students to view their accounts and pay their bills on-line.

SIS accounts receivable records are maintained in a subsidiary ledger. The SIS exports information from the subsidiary ledger to the Oracle general ledger system in summary batch postings. The detail to support the summary batch posting totals is maintained in the SIS subsidiary ledger. The information can be retrieved by querying SIS, running established reports or requesting a report be written to extract the information.

Report of Recommendations to the University of Northern Iowa

June 30, 2012

Concerns with the current procedures include:

- Because the system was not fully set up when it was implemented and the resulting postings did not provide reasonable results, journal entries were posted and reversed multiple times to record the information correctly. The first successful posting of SIS student accounts receivable information occurred in March 2012, nine-months after the system was implemented. The posting for that period of time consisted of a single summary batch posting. As a result, it was necessary to query SIS or request a special report be compiled to obtain support for the journal entries.
- A report from the SIS subsidiary ledger to reconcile the total student accounts receivable balance reported in the University general ledger system was not available.
- The University brought forward old student accounts receivable balances from the legacy student accounts receivable system to the new SIS system. Balances older than two years were not previously included in gross collectable student accounts receivable for financial reporting purposes on the University's Statement of Net Assets. These balances were included in the student accounts receivable balance in the SIS. To properly reflect collectable accounts receivable for financial reporting purposes, the University posted a manual entry to record a large allowance for doubtful accounts for the previously excluded balances.
- The June 30, 2012 bank reconciliation for the University's cash account had an unresolved variance of approximately \$500,000. In October 2012, we identified the variance and brought it to the attention of University officials. According to University staff, the problem is related to the implementation of the SIS. The cash receipts vouchers do not include all the receipts included on the bank statements, such as E-checks. University staff is still working on correcting this problem. The variance was resolved for audit purposes.

Based on the shortcomings identified, it is our conclusion the system was not fully set-up or tested prior to implementation.

Recommendation – The University should develop the necessary reports to ensure reconciliations are performed to ensure the data posted to the SIS is complete and reconciles to the information posted to the University general ledger system, data entered into the SIS is accurate and recorded to the proper student account and support is maintained for entries made to correct posting errors.

June 30, 2012

Response - The University acknowledges reports from the SIS should be available to facilitate the reconciliation process; such reports are currently in development and should be completed for FY 2013 reconciliations. The University will enhance procedures to ensure data entered in the SIS is accurate and recorded to the proper student accounts. The University will further evaluate the reports used to ensure all receipt activity is properly documented and available for bank reconciliation purposes.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

- (1) Confidentiality and Security Agreements – University employees, including student employees, have access to areas involving confidential information. The University does not have a policy requiring employees to sign confidentiality and security agreements when using confidential information.

Recommendation – The University should develop formal written policies and procedures covering confidentiality and security agreements to be signed by employees who can access confidential information in the course of their job duties.

Response – The President’s Cabinet approved policy 4.35 entitled “Confidential Information” on August 6, 2012 and disseminated it to employees. That policy defines confidential information and advises employees of their responsibilities under the policy, and is consistent with other university policies of not requiring employees to sign the policy. All employees are covered by the confidentiality policy and employees are held accountable for university policies regardless of having them sign each policy.

Conclusion – Response accepted.

- (2) Disposal of Capital Assets - University policy states: “Departments shall notify the Fixed Asset Accountant in the Office of Business Operations of items being declared "surplus" by completing an Equipment Inventory Deletions Report found on the Fixed Assets web page.” The University’s Fixed Asset Accountant retired in February 2012. He was subsequently rehired in March 2012 to help complete the Price Lab School inventory and complete year end reconciliations. The Fixed Asset Accountant completed his work and left employment with the University on November 14, 2012. In April 2013, the University hired a new Fixed Asset Accountant.

While performing departmental fixed asset inventories, a number of deletions were identified which had not been recorded in the capital assets system as of June 30, 2012. Office of Business Operations staff investigated and located approved deletion forms dated prior to June 30, 2012 for the majority of the items shown as deleted by the Departments. The original cost of the equipment which had not been deleted from the capital assets system was \$4,866,796 and the related accumulated depreciation was \$4,528,246. As a result, equipment with a book value of \$338,540 was not properly deleted from the capital asset balance as of June 30, 2012.

In addition, 3 of 10 assets were deleted without a properly completed and signed deletion form.

Report of Recommendations to the University of Northern Iowa

June 30, 2012

Recommendation - The University should ensure capital assets are recorded and deleted in accordance with established policies and procedures in a timely manner. In addition, the Fixed Asset Accountant's work should be reviewed in a timely manner.

Response - The University acknowledges equipment deletions should be supported with an approved Inventory Deletions Form and those deletions should be recorded timely in the Fixed Asset System. Procedures are in place to ensure these processes are followed. With a new staff member in place we will ensure they are familiar with these established procedures and follow up as appropriate.

Conclusion - Response accepted.

- (3) 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 - Existing University of Northern Iowa policies and best practices statements state Level III data (all data protected by state or federal law) must not or should not be stored on portable devices. It is also our policy to avoid the risks of loss, damage, breach, or exposure by storing institutional data on secure servers in 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 the University of Northern Iowa do not contain any stored sensitive information. As the University of Northern Iowa further embraces the "Bring Your Own Device" model of computing, that has been in use 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 more easily managed by a significant degree.

The purpose of disk encryption is to prevent exposure of information if the device is lost or stolen. University reports from various sources collected by the ITS Security Office show there have been nine University laptop devices lost/stolen in the last 13 fiscal years, none of which 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.

All University of Northern Iowa IT policies, guidelines, and resources which address portable devices will be reviewed, and strengthened to support the requirement that any portable device that stores sensitive information, defined as all data protected by state or federal law, must be fully encrypted. In addition, University policy will be developed to require scanning of all portable devices for sensitive information on a

Report of Recommendations to the University of Northern Iowa

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regular basis. Finally, 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 Northern Iowa

June 30, 2012

Staff:

Questions or requests for further assistance should be directed to:

James S. Cunningham, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Kelly L. Hilton, Senior Auditor
William B. Corley, Staff Auditor
Russell G. Jordan, CPA, Staff Auditor
Andi J. Kaufman, CPA, Staff Auditor
Daniel J. Mikels, Staff Auditor
Justin M. Scherrman, Staff Auditor
Jessica L. Barloon, Assistant Auditor
Emily K. Creighton, Assistant Auditor
Lacey Kriegel, Assistant Auditor
Daniel J. Mikels, Assistant Auditor
Joshua W. Ostrander, Assistant Auditor
Jason R. Ropte, Assistant Auditor

University of Northern Iowa

Cost per Student
(Unaudited)

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

Total General Educational Fund expenditures (expressed in thousands)		\$ 149,953
Deduct:		
Expenditures not related to teaching programs: (expressed in thousands)		
Research separately budgeted	\$ 651	
Extension and public service	2,632	
Student aid	<u>13,920</u>	<u>17,203</u>
Net disbursements for teaching programs		<u>\$ 132,750</u>
Full-time equivalent enrollment 2011-2012		<u>11,379</u>
Cost per student 2011-2012		<u>\$ 11,666</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	11,379	\$ 11,666
2010-2011	11,431	11,408
2009-2010	11,391	11,546
2008-2009	11,141	12,539
2007-2008	10,979	11,921