



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE July 26, 2004

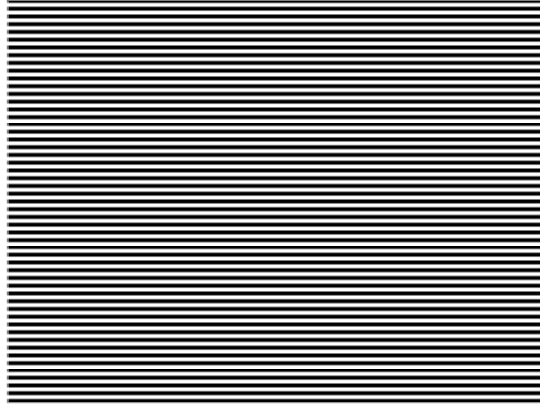
Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on Iowa State University of Science and Technology, Ames, Iowa, for the year ended June 30, 2003. Iowa State University of Science and Technology previously released its annual financial report for the year ended June 30, 2003.

Iowa State University of Science and Technology is governed by the Board of Regents. For the year ended June 30, 2003, the full-time equivalent student enrollment was 26,635 with an average cost per student of \$10,597, compared to 26,403 students and an average cost of \$10,401 for the year ended June 30, 2002.

A copy of the report is available for review from Iowa State University of Science and Technology or in the Office of Auditor of State.

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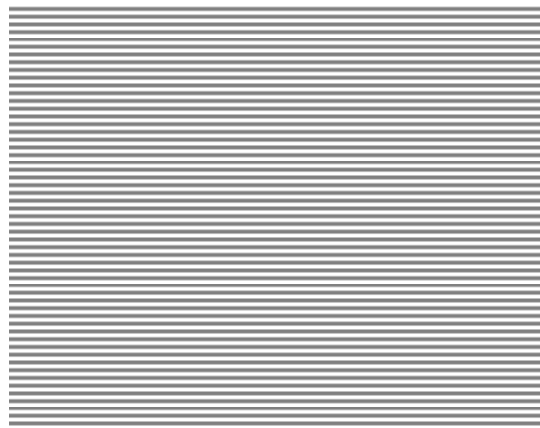
**REPORT OF RECOMMENDATIONS TO
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

JUNE 30, 2003

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



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March 5, 2004

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

Iowa State University of Science and Technology 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, 2003. We have also audited the financial statements of the University as of and for the year ended June 30, 2003 and have issued our report thereon dated December 12, 2003.

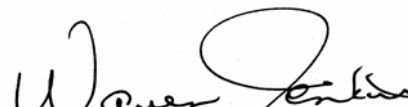
In conducting our audits, we became aware of certain aspects concerning the University's operations for which we believe corrective action is necessary. As a result, we have developed recommendations, which are reported on the following pages. We believe you should be aware of these recommendations which include those reported in the State's Single Audit Report, as well as other recommendations pertaining to the University's compliance with statutory requirements. These recommendations have been discussed with University personnel and their responses to these recommendations are included in this report.

We have also included in this report on page 7 certain unaudited financial and other information to report an average cost per student for the University for the five years ended June 30, 2003 as required by Chapter 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 of Science and Technology, citizens of the State of Iowa and other parties to whom Iowa State University of Science and Technology 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 Thomas J. Vilsack, Governor
Cynthia P. Eisenhauer, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2003

Findings Reported in the State's Single Audit Report:

CFDA Number: 19.405 – College and University Partnership Program

Agency Number: ASDH-0332

Federal Award Year: 2000, 2001, 2002, 2003

CFDA Number: 19.408 – Educational Exchange – Teachers from Secondary and Postsecondary Levels and School Administrators

Agency Number: ASKS-1082/S-ECAAS-02-GF-149 (CS)

Federal Award Year: 2001, 2002, 2003

State of Iowa Single Audit Report Comment 03-III-DOS-620-1

- (1) Grant Management – The Office of Auditor of State, in conjunction with representatives of Iowa State University, is conducting an on-going investigation related to grants awarded by the programs identified above. The grants were administered by the College of Education, Center for Technology in Learning and Teaching. Disbursements for the College and University Partnerships Program for the grant period August 15, 2000 through August 31, 2003 totaled \$299,597. Disbursements for the Educational Exchange – Teachers from Secondary and Postsecondary Levels and School Administrators for the grant period March 28, 2001 through June 30, 2003 totaled \$346,954. A report will be issued by the Office of Auditor of State when the investigation is completed and will be provided to the appropriate oversight entity. The report will include any questioned costs and other concerns identified. In addition, the results will be disclosed within the subsequent year's schedule of findings and questioned costs.

Recommendation – The University should work with the U.S. Department of State to resolve these issues.

Response and Corrective Action Planned – The University will work with the Department of State to resolve any questioned costs and concerns identified.

Conclusion – Response accepted.

CFDA Number: 84.342 – Preparing Tomorrow's Teachers to Use Technology

Agency Number: GM10021-113055, 5-34322

Federal Award Year: 1999, 2000, 2001, 2002

State of Iowa Single Audit Report Comment 03-III-USDE-620-5

- (2) Grant Management – The Office of Auditor of State, in conjunction with representatives of Iowa State University, is conducting an on-going investigation related to a grant awarded by the program identified above. The grant is administered by the College of Education, Center for Technology in Learning and Teaching. Disbursements for the grant period September 1, 1999 through August 31, 2002 totaled \$142,900. A report will be issued by the Office of Auditor of State when the investigation is completed and will be provided to the pass-through entity, University of Virginia. The report will include any questioned costs and other concerns identified. In addition, the results will be disclosed within the subsequent year's schedule of findings and questioned costs.

Recommendation – The University should work with the University of Virginia to resolve these issues.

Response and Corrective Action Planned – The University will work with the University of Virginia to resolve any questioned costs and concerns identified.

Conclusion – Response accepted.

Report of Recommendations to Iowa State University

June 30, 2003

Findings Related to Statutory Requirements and Other Matters:

Purchases from Conflict of Interest Vendors/Employees – The University Office and Procedures Guide (OPG) 10.3(4) prohibits any employee from selling to Iowa State University, either directly or indirectly, any goods or services in excess of \$1,000 for any one transaction unless the Board of Regents has provided consent.

If consent is obtained, the University OPG and Chapter 68B.3 of the Code of Iowa then provide employees may not sell goods or services to the University with a value in excess of \$2,000 for any one transaction unless pursuant to an award or contract let after public notice and competitive bidding. Five of the 9 purchase orders selected from the University purchasing department report of dollars spent with approved conflict of interest vendors lacked competitive bidding documentation.

Recommendation – The University should enforce the procedures to monitor compliance with the Code of Iowa and OPG.

Response – The conflict of interest acquisitions referenced above were identified through enhanced collaborative efforts of the Controller's Department and Purchasing. These procedures were put in place to help ensure better review of small dollar procurements that were not being channeled through Purchasing. All of these acquisitions were made before Purchasing or the Controller's Department became involved. Without the new procedures, these transactions may not have been identified. In all cases, the vendor had no knowledge of the conflict of interest policies and had performed services or delivered goods with reasonable expectation to be paid. Upon advice of University Counsel and vendor approval by the Board of Regents, payments were processed. Since that time, more conflict of interest information has been disseminated and less delegated procurement authority granted to University departments to allow for appropriate oversight by Purchasing. Over time this should reduce the number of these situations occurring in the future.

Conclusion – Response accepted.

Report of Recommendations to Iowa State University

June 30, 2003

Staff:

Questions or requests for further assistance should be directed to:

Kay F. Dunn, CPA, Manager
Patricia J. King, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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Candice R. Meester, Assistant Auditor
Jedd D. Moore, Assistant Auditor
Curtis J. Schroeder, Assistant Auditor
Corinne M. Widen, Assistant Auditor

Iowa State University of Science and Technology

Cost per Student
(unaudited)

Year ended June 30, 2003
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 346,491,089
Deduct:		
Expenditures not related to teaching programs:		
General University Research	\$13,292,715	
Public Service	4,822,041	
Scholarships	<u>46,127,013</u>	<u>64,241,769</u>
Net expenditures for teaching programs		<u>\$ 282,249,320</u>
Full-time equivalent enrollment 2002-2003		<u>26,635</u>
Cost per student 2002-2003		<u>\$ 10,597</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2003 and four previous years:

Year	Enrollment	Cost per Student
2002-2003	26,635	\$10,597
2001-2002	26,403	10,401
2000-2001	25,299	10,550
1999-2000	24,522	10,539
1998-1999	24,033	10,166