



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

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**NEWS RELEASE**

FOR RELEASE

July 18, 2014

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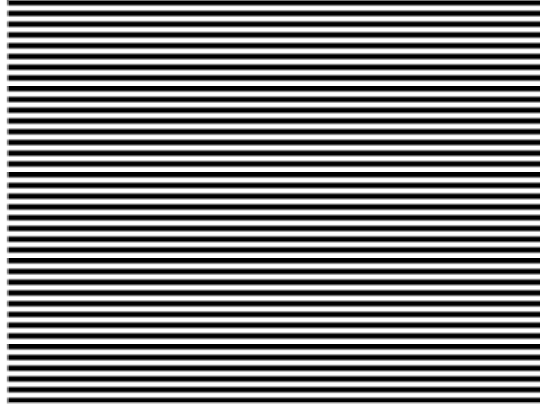
Auditor of State Mary Mosiman today released a report on the State University of Iowa, Iowa City, Iowa for the year ended June 30, 2013. The State University of Iowa (University of Iowa) previously released its annual financial report for the year ended June 30, 2013.

The University of Iowa is governed by the Board of Regents. For the year ended June 30, 2013, the full-time equivalent student enrollment was 29,399 with an average cost per student of \$18,318, compared to 29,319 students and an average cost of \$17,956 for the year ended June 30, 2012. The University Hospitals and Clinics provided a total of 196,233 patient days at an average daily cost per patient of \$5,163 for the year ended June 30, 2013, compared to 195,262 patient days at an average daily cost per patient of \$ 5,028 for the year ended June 30, 2012

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/1461-8010-BR00.pdf>.

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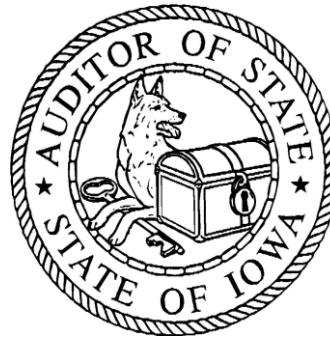




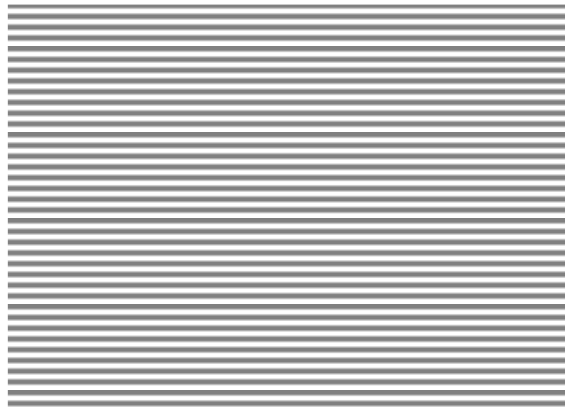
**REPORT OF RECOMMENDATIONS TO THE  
STATE UNIVERSITY OF IOWA**

**JUNE 30, 2013**

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



**Mary Mosiman, CPA**  
**Auditor of State**







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July 15, 2014

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


The State University of Iowa (University of Iowa or 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, 2013. We have also audited the financial statements of the University as of and for the year ended June 30, 2013 and have issued our report thereon dated December 12, 2013.

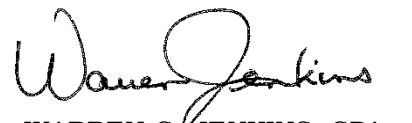
In conducting our audits, we became aware of certain aspects concerning the University's operations for which we believe corrective action is necessary. As a result, we have developed a recommendation which is reported on the following pages. We believe you should be aware of the recommendation which relates to the University's internal control. The recommendation has been discussed with University personnel and their response to the recommendation is included in this report. While we have expressed our conclusion on the University's response, we did not audit the University's response and, accordingly, we express no opinion on it.

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, 2013, 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.

  
MARY MOSIMAN, 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, 2013

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Finding Reported in the University's Report on Internal Control:**

Financial Reporting – During the audit, we identified items which were not properly classified in the University's financial statements. Also, University of Iowa Hospitals and Clinics (UIHC) entered into a capital lease for a parking ramp which had not been recorded in the University's financial statements. In addition, a parcel of land recorded as a donation in a prior year was not recorded in the University's financial statements. Adjustments were subsequently made by the University to properly classify and record these amounts in the financial statements.

Recommendation – The University should implement procedures to ensure all accounts are properly recorded and classified in the University's financial statements.

Response – The University agrees with the Recommendation and has modified accounting procedures and internal controls to properly classify information reported in the audited financial statements. In each case cited by the State Auditor's Office the University reported information conservatively in the financial statements. The University consults each year with the State Auditor's Office regarding materiality factors and other considerations that may impact how transactions are classified.

- Historically the University has treated the insurance payment as an operating expense in the month in which it is paid which conservatively reports this transaction in the financial statements. A prepaid insurance expense was established in fiscal year 2013 in the amount of \$1.5 million to account for the 4 month coverage period that should be expensed in fiscal year 2014. The University has modified its accounting procedures for recording prepaid expense and will report in all future periods the appropriate portion of catastrophic property insurance as prepaid expense based on the insurance coverage period.
- In fiscal year 2013, UIHC reported an inter-departmental payable as if it were a payable to an external entity. UIHC should have recorded the transaction as an inter-departmental payable and also booked the inter-departmental receivable so payables and receivables would net to zero. Had the error not been corrected, it would have overstated accounts payable by \$1.7 million. The University has worked with the UIHC Finance and Accounting Department to ensure future accruals for appropriate activities use the inter-departmental payable/receivable institutional account so proper elimination entries can be made prior to financial statement preparation.
- UIHC has entered into a lease arrangement with the City of Coralville for parking spaces in the City's parking ramp adjacent to the UIHC Iowa River Landing Medical Office Building. UIHC treated this arrangement as an operating lease but it should have been reported as a capital lease. In the future, the University and UIHC will evaluate all new external lease agreements to determine if the lease should be reported as an operating lease or as a capital lease.

Report of Recommendations to the State University of Iowa

June 30, 2013

- Finally, the last item refers to a master ground lease dating back to 1988 in which the State of Iowa authorized the Board of Regents to enter into ground lease arrangements with companies to promote economic development initiatives at the University (formerly Oakdale) Research Park Corporation. Although no one currently employed by the University was on staff at the time this ground lease was authorized, the University had assumed this land was reported on the State of Iowa's balance sheet. After discussing this transaction with the Department of Management, it was decided the best course of action was to report this land as an asset in the University's financial statements.

Conclusion – Response accepted.

**Other Findings Related to Internal Control:**

No matters were noted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

Report of Recommendations to the State University of Iowa

June 30, 2013

**Staff:**

Questions or requests for further assistance should be directed to:

James S. Cunningham, 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:

Ryan D. Baker, Staff Auditor  
Jessica L. Barloon, CPA, Staff Auditor  
Tyler L. Carter, Staff Auditor  
April D. Harbst, Staff Auditor  
Kelsey J. Kranz, Staff Auditor  
Eric L. Rath, Staff Auditor  
Laura M. Wernimont, Staff Auditor  
Jesse J. Harthan, Assistant Auditor  
Zack D. Kubik, Assistant Auditor  
James P. Moriarty, Assistant Auditor  
Trent M. Mussman, Assistant Auditor  
Miranda A. Shipman, Assistant Auditor  
Kyle C. Smith, Assistant Auditor



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University of Iowa

Cost per Student  
(unaudited)

Year ended June 30, 2013  
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 654,328,280
Deduct:		
Expenditures not related to teaching programs:		
Research separately budgeted	\$ 28,886,399	
Extension and public service	2,875,442	
Student aid	<u>84,037,500</u>	<u>115,799,341</u>
Net expenditures for teaching programs		<u>\$ 538,528,939</u>
Full-time equivalent enrollment 2012-2013		<u>29,399</u>
Cost per student 2012-2013		<u>\$ 18,318</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2013 and the four previous years:

<u>Year</u>	<u>Enrollment</u>	<u>Cost per Student</u>
2012-2013	29,399	\$ 18,318
2011-2012	29,319	17,646
2010-2011	28,977	18,035
2009-2010	28,169	18,051
2008-2009	28,015	17,039

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State University of Iowa  
University Hospitals and Clinics

Daily Cost per Patient  
(unaudited)

Year ended June 30, 2013  
with comparative figures for prior years

Total University Hospitals' expenses:	<u>\$ 1,013,711,000</u>
Total patient days 2012-2013	<u>196,323</u>
Daily cost per patient 2012-2013	<u>\$ 5,163</u>

Comparative patient statistics and cost per patient for the year ended June 30, 2013 and the four previous years:

<u>Year</u>	<u>Patient Days</u>	<u>Daily Cost per Patient</u>
2012-2013	196,233	\$ 5,163
2011-2012	195,262	5,028
2010-2011	196,482	4,596
2009-2010	182,820	4,609
2008-2009	193,196	4,472