



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

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**NEWS RELEASE**

FOR RELEASE August 18, 2005

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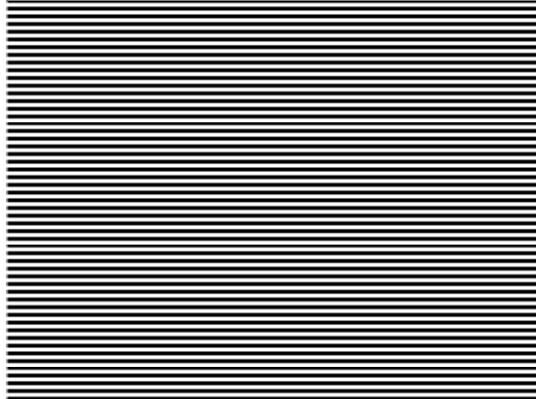
Auditor of State David A. Vaudt today released a report on the State University of Iowa, Iowa City, Iowa for the year ended June 30, 2004. The State University of Iowa (University of Iowa) previously released its annual financial report for the year ended June 30, 2004.

The University of Iowa is governed by the Board of Regents. For the year ended June 30, 2004, the full-time equivalent student enrollment was 26,407 with an average cost per student of \$15,402, compared to 26,068 students and an average cost of \$15,175 for the year ended June 30, 2003. The University Hospitals and Clinics served a total of 172,248 patient days at an average daily cost per patient of \$3,388 for the year ended June 30, 2004, compared to 173,768 patient days at an average daily cost per patient of \$3,031 for the year ended June 30, 2003.

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

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

**JUNE 30, 2004**

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



**David A. Vaudt, CPA**  
**Auditor of State**







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August 11, 2005

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

The State University of Iowa (University of Iowa) 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, 2004. We have also audited the financial statements of the University as of and for the year ended June 30, 2004 and have issued our report thereon dated December 17, 2004.

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. These recommendations have been discussed with University personnel and their responses to these recommendations are included in this report.

We have also included certain unaudited financial and other information on pages 10 and 11 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, 2004 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 9 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  
Michael L. Tramontina, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2004

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

**CFDA Number: 43.001 – Aerospace Education Services Program**  
**Agency Number: NAG5-9974, NAG5-11942, NNG04GB98G**  
**Federal Award Year: 2004**

**CFDA Number: 47.049 – Mathematical and Physical Science**  
**Agency Number: DMS 02-19737**  
**Federal Award Year: 2004**

**CFDA Number: 47.050 - Geosciences**  
**Agency Number: ATM 02-05198**  
**Federal Award Year: 2004**

**CFDA Number: 47.074 – Biological Sciences**  
**Agency Number: MCB 01-10252**  
**Federal Award Year: 2004**

**CFDA Number: 84.133 – National Institute on Disability and Rehabilitation Research**  
**Agency Number: H133B010102**  
**Federal Award Year: 2004**

**CFDA Number: 84.335 – Child Care Access Means Parents in School**  
**Agency Number: P335A010174**  
**Federal Award Year: 2004**

**CFDA Number: 93.115 – Biometry and Risk Estimation – Health Risks from Environmental Exposures**  
**Agency Number: 5 R01 ES010876**  
**Federal Award Year: 2004**

**CFDA Number: 93.121 – Oral Diseases and Disorders Research**  
**Agency Number: 5 R01 DE008559, 5 R01 DE014667, 5 P60 DE013076**  
**Federal Award Year: 2004**

**CFDA Number: 93.230 – Consolidated Knowledge Development and Application (KD&A) Program**  
**Agency Number: 5 UD1 TI12632, 5 UD1 TI13596**  
**Federal Award Year: 2004**

**CFDA Number: 93.242 – Mental Health Research Grants**  
**Agency Number: 5 R01 MH065134**  
**Federal Award Year: 2004**

**CFDA Number: 93.837 – Heart and Vascular Diseases Research**  
**Agency Number: 5 R01 HL070740, 1 R01 HL071814, 5 PO1 HL114388**  
**Federal Award Year: 2004**

Report of Recommendations to the University of Iowa

June 30, 2004

**CFDA Number: 93.853 – Extramural Research Programs in the Neurosciences and Neurological Disorders**

**Agency Number: 5 R01 NS040068, 5 R01 NS038554**

**Federal Award Year: 2004**

**CFDA Number: 93.865 – Center for Research for Mothers and Children**

**Agency Number: 5 R01 HD032579**

**Federal Award Year: 2004**

**CFDA Number: 93.867 – Vision Research**

**Agency Number: 5 U79 TI13354**

**Federal Award Year: 2004**

**State of Iowa Single Audit Report Comment:**

**04-III-NASA-619-1**

**04-III-NSF-619-1**

**04-III-USDE-619-3**

**04-III-HHS-619-1**

- (1) Subrecipient Monitoring – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of its subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of the contract and grant.

The University sent letters to subrecipients for the fiscal year ended June 30, 2003 requesting a copy of the single audit report or documentation stating the subrecipient was not subject to the single audit requirement. Subrecipients have nine months after the fiscal year end to issue the single audit report. However, as of February 28, 2005, the University had not followed up on the status of single audit reports not received or determined audits were not applicable for twenty-nine of the subrecipients. The University had not completed documentation of monitoring procedures performed for the single audit reports received.

Recommendation – The University’s written procedures should address monitoring procedures to be performed for subrecipients who submit a single audit report of notification letter and for those who are not subject to the single audit requirement. The procedures should address the time frame for following up on subrecipients who do not respond to the request for a copy of their single audit and for documenting the University’s monitoring procedures performed.

Response and Corrective Action Planned – Grant Accounting’s written procedures for monitoring subrecipients will be modified to include procedures to be performed for subrecipients who are not subject to the single audit requirement versus those who are subject to the single audit requirement. The procedure will also be modified to include a time frame in which Grant Accounting staff will follow up with subrecipients who do not respond to the initial request as well as the procedures that will be performed by Grant Accounting staff to review the documentation and record the results in a timely manner.

Conclusion – Response accepted.

June 30, 2004

**CFDA Number: 93.242 – Mental Health Research Grants**  
**Agency Number: 5 RO1 MH062661**  
**Federal Award Year: 2004**

**CFDA Number: 93.273 – Alcohol Research Programs**  
**Agency Number: 1009189**  
**Federal Award Year: 2004**  
**Passed through State University of New York**

**CFDA Number: 93.838 – Lung Diseases Research**  
**Agency Number: 5 K08 HL067992**  
**Federal Award Year: 2004**

**CFDA Number: 93.848 – Digestive Diseases and Nutrition Research**  
**Agency Number: 5 K08 DK063135**  
**Federal Award Year: 2004**

**CFDA Number: 93.994 – Maternal and Child Health Services Block Grant to the States**  
**Agency Number: 5884SP01, 4882MH03**  
**Federal Award Year: 2004**

**State of Iowa Single Audit Report Comment:**  
**04-III-HHS-619-2**

- (2) Effort Reports – OMB Circular A-21 requires the method of payroll distribution among more than one sponsored agreement or other cost objective “must recognize the principal of after-the-fact confirmation or determination so costs distributed represent actual cost.” Payroll may be charged to sponsored agreements on the basis of estimates, but significant changes in the corresponding work activity must be identified and entered onto the payroll distribution system.

The University requires faculty and staff who have payroll charges to federal awards to submit an effort report confirming the percentage of time spent on each sponsored agreement or other cost objective for the fiscal year. The University implemented an online effort reporting system during the fiscal year ended June 30, 2004, and allowed an extended deadline for employee submission of the effort report. Effort reports for four of nine employees selected for testing had not been submitted or entered into the effort reporting system as of February 16, 2005. The University is still in the process of collecting effort reports from an additional number of employees required to submit effort reports. The delay in the submission deadline and the University’s collection of effort reports could result in the University’s inability to make timely adjustments for significant changes to payroll charges based upon actual work activity.

Recommendation – The University should take steps necessary to ensure effort reports are submitted on a timely basis and follow up on employees who do not return the effort reports as instructed.

Response and Corrective Action Planned – The University has now received effort reports on all employees selected for testing, and this information has been reviewed by the state auditors. We acknowledge our roll-out of the new web-based effort reporting system

Report of Recommendations to the University of Iowa

June 30, 2004

resulted in delays in receiving completed effort reports. As a result, we have already designed several new features into the web-based effort reporting system that will significantly improve timely completion of the surveys. The web application itself combined with an e-mail notification system greatly streamlines the distribution and collection of effort data. Effort reports can no longer be lost or misplaced, one of the most common reasons for late certification. Collegiate and departmental administrative staff will have instant access to real-time lists of incomplete effort reports. Collegiate administrators have been very cooperative with scheduling training for the new system and facilitating the completion of the surveys. We will be distributing the next faculty survey on August 7, 2005, and will require the surveys be completed by September 30, 2005. Central administration follow-up on incomplete surveys will begin on September 12, 2005, and will continue until 100% of the surveys are submitted.

Conclusion – Response acknowledged. The University should continue to collect and review the remaining effort reports.

**CFDA Number: 84.038 – Federal Perkins Loan Program – Federal Capital Contributions**  
**Agency Number: P038A031479**  
**Federal Award Year: 2004**

**CFDA Number: 93.342 – Health Professions Student Loans, Including Primary Care  
Loans/Loans for Disadvantaged Students**  
**Agency Number: 6438301-03**  
**Federal Award Year: 2004**

**CFDA Number: 93.364 – Nursing Student Loans**  
**Agency Number: 6438301-03**  
**Federal Award Year: 2004**

**State of Iowa Single Audit Report Comment:**  
**04-III-USDE-619-2**  
**04-III-HHS-619-3**

- (3) Due Diligence – The University is required to exercise due care and diligence in the collection of student loans. These procedures involve notifying borrowers of overdue payments, demanding overdue amounts and specific collection procedures to recover amounts from defaulted borrowers who do not respond satisfactorily to demands routinely made as part of the University's billing procedures.

The University implemented a new billing system during the fiscal year ended June 30, 2004. The new system lacked programming to include the carryover of the aging of accounts from the previous system, the separate identification of the aging of loan accounts from other receivable accounts and the automatic printing of overdue and final demand notices. As a result, many borrowers did not receive the required notices, nor were the overdue loans sent to collections in accordance with due diligence requirements.

Recommendation – The University should take steps to ensure compliance with due diligence requirements in the collection of student loans.

Report of Recommendations to the University of Iowa

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Response and Corrective Action Planned – In the following fiscal year 2004-2005 the University implemented procedures and programming in the new system to identify those loan borrowers who are currently aging in delinquency. These borrowers are receiving the proper past due notification and due diligence efforts as required.

Planning and programming is now being performed to identify before the end of the current fiscal year those borrowers who have not received proper collection due diligence since the new system's inception. These borrowers' accounts will be "re-aged" to ensure the required collection steps are taken on these loans including referral to collection agencies.

Conclusion – Response accepted.

**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 University of Iowa

June 30, 2004

**Staff:**

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager  
Gwen D. Fangman, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

John G. Vanis, CGFM, Senior Auditor  
Ted M. Wiegand, CPA, Senior Auditor  
Kip M. Druecker, Staff Auditor  
Kelly V. Rea, COA, Staff Auditor  
Jodi L. Simon, CPA, Staff Auditor  
Beth A. Wichtendahl, CPA, Staff Auditor  
Scott P. Boisen, Assistant Auditor  
Daniel L. Grady, Assistant Auditor  
Jake P. Keegan, Assistant Auditor  
Carmon K. Kutcher, Assistant Auditor  
Emily F. Weers, Assistant Auditor  
Brandon J. Yuska, Assistant Auditor

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University of Iowa

Cost per Student  
(unaudited)

Year ended June 30, 2004  
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 454,109,926
Deduct:		
Expenditures not related to teaching programs:		
Research separately budgeted	\$ 7,419,536	
Extension and public service	5,593,514	
Student aid	<u>34,372,090</u>	<u>47,385,140</u>
Net expenditures for teaching programs		<u>\$ 406,724,786</u>
Full-time equivalent enrollment 2003-2004		<u>26,407</u>
Cost per student 2003-2004		<u>\$ 15,402</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2004 and four previous years:

<u>Year</u>	<u>Enrollment</u>	<u>Cost per Student</u>
2003-2004	26,407	\$15,402
2002-2003	26,068	15,175
2001-2002	24,824	15,372
2000-2001	24,283	15,535
1999-2000	24,394	14,610

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University of Iowa  
University Hospitals and Clinics

Daily Cost per Patient  
(unaudited)

Year ended June 30, 2004  
with comparative figures for prior years

Total University Hospitals' expense (excludes other Health Care Units)	\$ 608,238,631
Deduct non-patient expenses:	
Cafeteria and other excludable sales	<u>24,608,673</u>
Net expenses for patient care	<u>\$ 583,629,958</u>
Total patient days 2003-2004	<u>172,248</u>
Daily cost per patient 2003-2004	<u>\$ 3,388</u>

Comparative patient statistics and cost per patient for the year ended June 30, 2004 and four previous years:

Year	Patient Days	Daily Cost per Patient
2003-2004	172,248	\$ 3,388
2002-2003	173,768	3,031
2001-2002	185,666	2,634 *
2000-2001	191,183	2,345
1999-2000	188,524	2,181

\* - Restated to exclude non-expenditure disbursements totaling \$21,887,127 occurring between institutional accounts previously used for the calculation of net expenses for patient care.