



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

David A. Vaudt, 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 21, 2006 \_\_\_\_\_

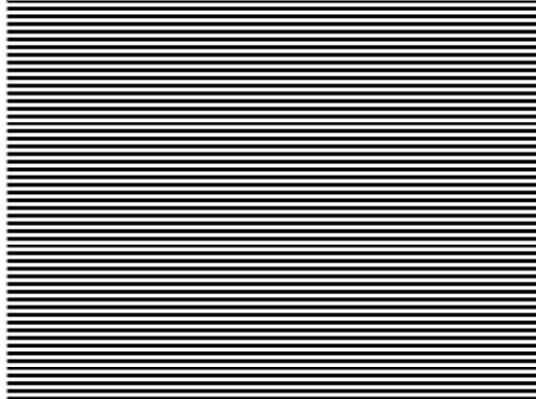
Contact: Andy Nielsen  
515/281-5835

Auditor of State David A. Vaudt today released a report on the University of Northern Iowa for the year ended June 30, 2005. The University of Northern Iowa previously released its annual financial report for the year ended June 30, 2005.

The University of Northern Iowa is governed by the Board of Regents. For the fiscal year ended June 30, 2005, the full-time equivalent student enrollment was 11,351 with an average cost per student of \$10,242, compared to 11,477 students and an average cost per student of \$9,947 for the fiscal year ended June 30, 2004.

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 web site at <http://auditor.iowa.gov/reports/reports.htm>

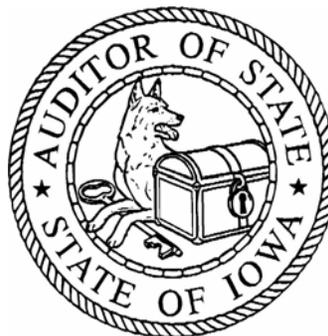
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**REPORT OF RECOMMENDATIONS TO THE  
UNIVERSITY OF NORTHERN IOWA**

**JUNE 30, 2005**

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



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







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July 17, 2006

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

The University of Northern 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, 2005. We have also audited the financial statements of the University as of and for the year ended June 30, 2005 and have issued our report thereon dated December 2, 2005.

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 certain recommendations which are reported on the following pages. We believe you should be aware of these recommendations pertaining to the University's internal control. 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 9 certain unaudited financial and other information to report an average cost per student for the University for the five years ended June 30, 2005 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 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 8 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

**University of Northern Iowa**

June 30, 2005

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

No matters were noted.

**Findings Related to Internal Control:**

- (1) Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the University's financial statements. Generally, one or two individuals may have control over the following areas for which no compensating controls exist:
  - (a) Individuals within the Business Operation's office with "UNI Payables Manager" and "Cashier" responsibilities can create and prepare payment documents, approve payment and print checks.
  - (b) Individuals within the Business Operation's office with "UNI US Payroll Manager" responsibilities can create a new employee on the system or change an existing employee's rate of pay while also being able to run all of the payroll processes. These individuals can also enter the bank account numbers for staff who elect direct deposit. The system does not prevent payroll staff from entering their own bank account number in place of another employee's. This responsibility also allows a user to process a "Quick Pay" or special batch without approval, including a "Quick Pay" to themselves. Additionally, the payroll manager runs all the steps of the monthly payroll, except timecard processing. This individual also processes many of the corrections or adjustments, including "Quick Pays".

Recommendation – Duties should be segregated so one individual can not prepare payment documents, approve payment and print checks. The University should remove the capability of creating a new employee on the system, changing rates of pay and entering or changing bank account information for employees with direct deposit from the "UNI US Payroll Manager" responsibility. The University should also separate the processing of payroll from the correction or adjustment process to ensure one individual does not handle both.

Response – The University acknowledges the ability to create and approve payment documents exists with limited individuals who also have the ability to print checks. Procedures and compensating controls will be continually evaluated to minimize the risk of inappropriately prepared checks without diminishing service levels to our students, staff and vendors.

The University has reviewed the access assigned to individuals responsible for payroll processing and made changes. Employees are no longer able to make changes to their own records, including adjusting rates of pay, preparing checks or updating bank account information. Additionally, payroll staff is no longer able to create new employees in the system, only student employees.

Conclusion – Response accepted.

Report of Recommendations to the University of Northern Iowa

June 30, 2005

- (2) Payroll Deduction Reconciliation – The University of Northern Iowa migrated from the Legacy Payroll System to the Oracle Payroll System on January 1, 2005. Payroll deduction reconciliations are done monthly. However, since January 2005 the deductions and withholdings have not reconciled to the general ledger. The reconciliations include a line item “Unidentified reconciling item due to conversion from Legacy to Oracle reconciliation process.” Although this reconciling item is not material to the financial statements, deductions and withholdings should reconcile to zero at month end.

Recommendation – The University should investigate, identify and resolve differences between the deductions and withholding account balances and the general ledger monthly.

Response – The University acknowledges account reconciliations for deduction accounts were not maintained currently for the time period of January 2005 through June 2005. Account reconciliations are now prepared timely and reconciling items identified and resolved accordingly.

Conclusion – Response accepted.

- (3) Bank Reconciliations – During the year, the University completed bank reconciliations using the Oracle system. However, reconciliations after December 31, 2005 did not include an outstanding payroll check listing to support reconciling items, so a complete reconciliation could not be performed.

Recommendation – Reconciliations of the book and bank balances should be completed monthly and include supporting documentation for reconciling items, including a detailed listing of outstanding payroll checks at month end.

Response – The Oracle cash management (bank reconciliation) module does not include an outstanding check list as a standard feature. When this was discovered, a Programming Authorization Request was completed. A UNI software developer wrote a program to read the bank reconciliation database and print an outstanding check list. We were able to retroactively print outstanding check lists for the period January to June 2005.

Conclusion – Response accepted.

- (4) Wage and Salary Overpayments – The University has incorrectly overpaid several employees, including student employees. The University has asked these individuals for a refund of the overpayment, but a number of the overpayments are over one year old. The refunds were not always pursued timely and refunds received were not always deposited and processed timely with the University cashiers. Additionally, although a listing of wage and salary overpayments due was prepared, the listing did not appear up-to-date and complete at June 30, 2005.

Recommendation – The University should develop and implement procedures to monitor the payment of salary and wages to reduce overpayments. If overpayments occur, the University should develop and implement procedures to pursue refunds timely and monitor the disposition of the refund. Additionally, the listing of wage and salary overpayments due should be kept up-to-date and complete to ensure proper reporting of the receivable.

Report of Recommendations to the University of Northern Iowa

June 30, 2005

Response – The University acknowledges salary and wage overpayments need to be collected on a timely basis and has recently implemented procedures to facilitate such. We will promptly clear out the mentioned receivables in the Payroll Clearing Account. Additionally, procedures have been updated to ensure the timely depositing of funds received. The listing of wage and salary overpayments has been brought up-to-date and is current.

Conclusion – Response accepted.

- (5) “Quick Pays” – The University may process an employee or student employee’s payroll through a “Quick Pay” process. This occurs when an individual may have earned extra pay, been paid an incorrect amount or a personal action form was not filed timely for changes in wages. It could also be a special payout for items such as compensation time or, if retiring and meeting the criteria, for a sick leave payout. A number of these payments were made but were not recorded timely.

Recommendation – The University should develop and implement procedures to monitor “Quick Pays” and ensure they are recorded timely.

Response – The University has implemented procedures to monitor and ensure the timely recording of “Quick Pays”.

Conclusion – Response accepted.

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

No matters were noted.

Report of Recommendations to the University of Northern Iowa

June 30, 2005

**Staff:**

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Richard C. Brown, CGFM, Senior Auditor  
Scott P. Boisen, Staff Auditor  
Daniel L. Grady, Staff Auditor  
Cynthia R. Ellingson, Assistant Auditor  
Shawn R. Elsbury, Assistant Auditor  
Tiffany A. Gossweiler, Assistant Auditor  
Michael J. Hackett, Assistant Auditor  
Michelle L. Harris, Assistant Auditor  
Carmon K. Kutcher, Assistant Auditor  
Nickolas J. Schaul, Assistant Auditor  
Kara E. Rasmussen, Auditor Intern

University of Northern Iowa

Cost per Student  
(Unaudited)

Year ended June 30, 2005  
with comparative figures for prior years

Total General Educational Fund expenditures (expressed in thousands)		\$	128,373
Deduct:			
Expenditures not related to teaching programs: (expressed in thousands)			
Research separately budgeted	\$	499	
Extension and public service		2,207	
Student aid		<u>9,415</u>	<u>12,121</u>
Net disbursements for teaching programs (expressed in thousands)		\$	<u>116,252</u>
Full-time equivalent enrollment 2004-2005			<u>11,351</u>
Cost per student 2004-2005		\$	<u>10,242</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2005 and four previous years.

Year	Enrollment	Cost per Student
2004-2005	11,351	\$ 10,242
2003-2004	11,477	9,947
2002-2003	11,959	9,431
2001-2002	12,186	8,861
2000-2001	11,947	9,496