



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 11, 2008

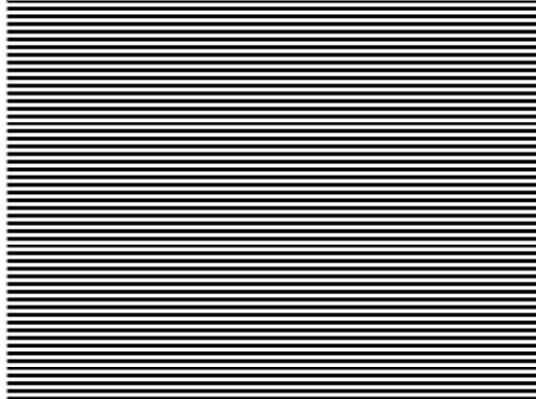
Contact: Andy Nielsen
515/281-5835

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, 2007. The State University of Iowa (University of Iowa) previously released its annual financial report for the year ended June 30, 2007.

The University of Iowa is governed by the Board of Regents. For the year ended June 30, 2007, the full-time equivalent student enrollment was 26,902 with an average cost per student of \$16,547, compared to 26,774 students and an average cost of \$15,947 for the year ended June 30, 2006. The University Hospitals and Clinics provided a total of 172,000 patient days at an average daily cost per patient of \$3,819 for the year ended June 30, 2007, compared to 162,068 patient days at an average daily cost per patient of \$3,813 for the year ended June 30, 2006.

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/reports.htm>.

###



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

JUNE 30, 2007

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



David A. Vaudt, CPA
Auditor of State





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

July 7, 2008

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, 2007. We have also audited the financial statements of the University as of and for the year ended June 30, 2007 and have issued our report thereon dated December 14, 2007.

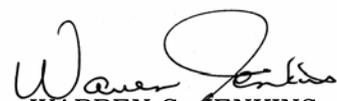
In conducting our audits, we became aware of certain aspects concerning the University's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which include those reported in the State's Single Audit Report and the University's Report on Internal Control. 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 8 and 9 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, 2007 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 7 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 Chester J. Culver, Governor
Charles J. Krogmeier, Director, Department of Management
Timothy C. Faller, Interim Director, Legislative Services Agency

June 30, 2007

Findings Reported in the State's Single Audit Report:

CFDA Number: 84.007 – Federal Supplemental Educational Opportunity Grants

CFDA Number: 84.038 – Federal Perkins Loan Program – Federal Capital Contributions

CFDA Number: 84.063 – Federal Pell Grant Program

CFDA Number: 84.268 – Federal Direct Student Loan

CFDA Number: 84.375 – Academic Competitiveness Grants

CFDA Number: 84.376 – National Science and Mathematics Access to Retain Talent (SMART) Grants

Agency Number: None

Federal Award Year: 2007

State of Iowa Single Audit Report Comment: 07-III-USDE-619-1

- (1) Return of Title IV Funds – When a student withdraws from school prior to the end of a period of enrollment, the Code of Federal Regulations, 34 CFR 668.22, requires the University to determine the earned and unearned portion of Title IV funds. If the student received more aid than was earned, the unearned funds must be returned to the Title IV programs in a specified order and time period.

The University uses the worksheet developed by the U.S. Department of Education to calculate the earned and unearned portion of Title IV aid for students who withdraw from school. However, there are no procedures in place to ensure calculations are performed accurately and unearned funds are returned to the Title IV programs in the proper order and within the required timeframe.

Recommendation – The University should develop procedures to ensure the calculation of Title IV funds to be returned is accurate and funds are returned within the required timeframe.

Response and Corrective Action Planned – To ensure calculations are accurate and made in a timely manner the Supervisor of the person responsible for R2T4 calculations will periodically (at least each semester) review the withdrawal worksheet and follow the return of aid back to the appropriate accounts.

Conclusion – Response accepted.

June 30, 2007

CFDA Number: 93.397 – Cancer Centers Support Grants
Agency Number: 2P50CA097274-06
Federal Award Year: 2006

CFDA Number: 93.838 – Lung Diseases Research
Agency Number: 2R01HL064368-6A1
Federal Award Year: 2005

**CFDA Number: 93.853 – Extramural Research Programs in the Neurosciences and
Neurological Disorders**
Agency Number: 2R01NS040068-5, 5P01NS019632-23
Federal Award Year: 2005

CFDA Number: 93.855 – Allergy, Immunology and Transplantation Research
Agency Number: 5P01AI060699-2
Federal Award Year: 2005

State of Iowa Single Audit Report Comment: 07-III-HHS-619-2

- (2) Federal Financial Reports – The National Institutes of Health Policy Statement – Part II: Terms and Conditions of NIH Grant Awards require Financial Status Reports (FSRs) to be submitted no later than 90 days after the end of the reporting period. The Policy Statement also states: “Failure to submit complete, accurate, and timely reports may indicate the need for closer monitoring by NIH or may result in possible award delays or enforcement actions, including withholding, removal of expanded authorities, or conversion to a reimbursement payment method.”

Ten Research and Development Cluster awards tested required submission of an FSR for the reporting period ended during fiscal year 2007. Four of the FSRs were submitted 151-251 days late and one award has an outstanding FSR that was 148 days late as of February 25, 2008.

Recommendation – The University should develop procedures to ensure FSRs are submitted within 90 days after the end of the reporting period.

Response and Corrective Action Planned – The Grant Accounting Office is working on several improvements to help us meet this requirement. We currently have approval to increase the level of staff responsible for FSR submissions. Additionally, new policies and procedures related to cost transfers, monitoring and overspent accounts were developed and implemented during the past year. An additional new policy for timely review of transactions has also been developed and will be implemented on July 1, 2008. We believe these new policies and procedures will shorten the time it takes for grant closeout and address outstanding issues earlier in the process. Finally, we are working on developing a formal database tracking system for FSR submission. This will improve management’s ability to monitor timely submission of FSRs.

Conclusion – Response accepted.

Report of Recommendations to the University of Iowa

June 30, 2007

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

- (1) Journal Entry Approval – The University does not have a policy requiring review and approval of journal entries by supervisory personnel, nor do the various journal entry systems have a mechanism in place to document supervisory approval. Journal entries are not reviewed and approved by supervisory personnel to ensure only authorized transactions are entered into the system.

Recommendation – The University should implement policies and procedures to ensure supervisory approval of journal entries is obtained and documented.

Response – The University will implement a process to ensure and document approval of journal entries by utilizing the existing Workflow electronic approval system. This process will focus on journals prepared and submitted by individuals throughout campus. The major subsidiary systems (Payroll, Accounts Payable, Asset Management, etc.) currently require approval of transactions prior to journal generation; therefore, they will not be included in this new approval process. Other subsidiary systems will be investigated to determine the feasibility and need for inclusion in the approval process.

Conclusion – Response accepted.

- (2) Equipment Accounts Payable – The University's accounting system records accounts payable on the basis of invoice date rather than date received. We identified five vouchers totaling \$2 million included in accounts payable for which the related assets were capitalized without adequate documentation evidencing receipt of the equipment by June 30, 2007.

Recommendation – The University should establish procedures to ensure accounts payable and capital assets are reported based on the date the asset is received by the University.

Response – We will expand our existing process to incorporate additional steps in the payables review process. Currently, capital equipment vouchers are automatically placed on hold until departments send a form to Accounts Payable and Purchasing Office (APPO) confirming assets have been received; this form contains a receipt date. The receipt date is not entered into PeopleSoft Accounts Payable but can be viewed as a scanned document. Accounts Payable will send Accounting Services a list of vouchers on hold (no receipt has occurred). This list will be compared to the invoices accrued to help ensure payables are accurate. Furthermore, the Property Management staff will check against the scanned document on the APPO website to confirm receipt date prior to capitalizing assets.

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 University of Iowa

June 30, 2007

Staff:

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, 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:

Daniel L. Grady, Senior Auditor
Shannan M. Hoffman, Staff Auditor
Carrie L. Livingston, CPA, Staff Auditor
Brian P. Schenkelberg, CPA, Staff Auditor
Aaron P. Wagner, CPA, Staff Auditor
James R. Wittenwyler, Staff Auditor
Scott G. Anderson, Assistant Auditor
Michael L. Castagnoli, Assistant Auditor
Kurt D. Goldsmith, Assistant Auditor
Keith C. Kistenmacher, Assistant Auditor
Joshua B. Ludwig, Assistant Auditor
Jenny M. Podrebarac, Staff Auditor
Kristen Ockenfels, Auditor Intern

University of Iowa

Cost per Student
(unaudited)

Year ended June 30, 2007
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 505,039,076
Deduct:		
Expenditures not related to teaching programs:		
Research separately budgeted	\$ 10,167,636	
Extension and public service	5,253,850	
Student aid	<u>44,469,632</u>	<u>59,891,118</u>
Net expenditures for teaching programs		<u>\$ 445,147,958</u>
Full-time equivalent enrollment 2006-2007		<u>26,902</u>
Cost per student 2006-2007		<u>\$ 16,547</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2007 and four previous years:

<u>Year</u>	<u>Enrollment</u>	<u>Cost per Student</u>
2006-2007	26,902	\$ 16,547
2005-2006	26,774	15,947
2004-2005	26,111	15,685
2003-2004	26,407	15,402
2002-2003	26,068	15,175

University of Iowa
University Hospitals and Clinics

Daily Cost per Patient
(unaudited)

Year ended June 30, 2007
with comparative figures for prior years

Total University Hospitals' expense	\$ 682,546,833
Deduct non-patient expenses:	
Cafeteria and other excludable sales	<u>25,634,710</u>
Net expenses for patient care	<u>\$ 656,912,123</u>
Total patient days 2006-2007	<u>172,000</u>
Daily cost per patient 2006-2007	<u>\$ 3,819</u>

Comparative patient statistics and cost per patient for the year ended June 30, 2007 and four previous years:

Year	Patient Days	Daily Cost per Patient
2006-2007	172,000	\$ 3,819
2005-2006	162,068	3,813
2004-2005	170,446	3,444
2003-2004	172,248	3,388
2002-2003	173,768	3,031