NEWS RELEASE

Auditor of State David A. Vaudt today released a report on the review of selected general and application controls over the State University of Iowa (University of Iowa) PeopleSoft Human Resources Information System (HRIS) for the period June 3, 2008 through July 25, 2008.

Vaudt recommended the University of Iowa develop and implement procedures to improve information system controls related to system access.

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.

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REPORT OF RECOMMENDATIONS TO THE
STATE UNIVERSITY OF IOWA
ON THE REVIEW OF SELECTED GENERAL
AND APPLICATION CONTROLS OVER
THE UNIVERSITY'S PEOPLESOFT HUMAN RESOURCES
INFORMATION SYSTEM

June 3, 2008 through July 25, 2008

===== Office of =====

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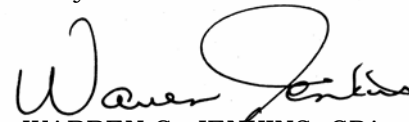To the Members of the
   Board of Regents, State of Iowa:

In conjunction with our audit of the financial statements of the State University of Iowa (University of Iowa) for the year ended June 30, 2008, we conducted an information technology review of selected general and application controls for the period June 3, 2008 through July 25, 2008. Our review focused on the general and application controls of the University's PeopleSoft Human Resources Information System (HRIS) as they relate to our audit of the financial statements. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on internal controls or ensure all deficiencies in internal controls are disclosed.

In conducting our review, we became aware of certain aspects concerning information technology controls 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 pertain to the University's general and application controls over the PeopleSoft HRIS system. These recommendations have been discussed with University personnel and their responses to these recommendations are included in this report.

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 review. 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 review of the PeopleSoft HRIS system 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

March 9, 2009

cc: Honorable Chester J. Culver, Governor
      Charles J. Krogmeier, Director, Department of Management
      Glen Dickinson, Director, Legislative Services Agency

PeopleSoft HRIS System Controls

A. <u>Background</u>

The HRIS system at the University of Iowa (University) is a purchased product from PeopleSoft (now Oracle) and contains modules for payroll, benefits and basic human resource functions, such as hiring, employee training and employment history.

B. <u>Scope and Methodology</u>

In conjunction with our audit of the financial statements of the University, we reviewed selected aspects of the general and application controls in place over the University's PeopleSoft HRIS system for the period June 3, 2008 through July 25, 2008. Specifically, we reviewed the general controls: security program, access controls, configuration management controls, segregation of duties and service continuity, and the application controls: input, processing and output controls. We interviewed staff of the University and we reviewed University policies and procedures. To assess the level of compliance with identified controls, we performed selected tests.

We planned and performed our review to adequately assess those University operations within the scope of our review. We developed an understanding of the University's internal control relevant to the operations included in the scope of our review. We believe our review provides a reasonable basis for our recommendations.

We used a risk-based approach when selecting activities to be reviewed. We focused our review efforts on those activities we identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, we use our finite review resources to identify where and how improvements can be made. Thus, we devote little effort to reviewing operations that may be relatively efficient or effective. As a result, we prepare our review reports on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

C. <u>Results of the Review</u>

As a result of our review, we found certain controls can be strengthened to further ensure the reliability of financial information. Our recommendations, along with the University's responses, are detailed in the remainder of this report.

<p align="center">**General Controls**</p>

(1) <u>Access Control Reviews</u> – Procedures for controlling access to the PeopleSoft HRIS system do not ensure only those individuals requiring access rights to perform their job responsibilities are provided access. A review of the list of users who have been granted access to the HRIS system is conducted when major upgrades are performed, usually every year or two, but no documentation is retained.

Four employees are responsible for processing bi-weekly and monthly payrolls, but 36 employees have been given access rights allowing them to process these payrolls.

Recommendation – The University should establish procedures to require the performance and documentation of periodic reviews of access rights for systems processing financial transactions as well as systems containing sensitive or confidential information.

Response – A PeopleTools upgrade is scheduled for April 2009. As part of this upgrade, only individuals that have a role in processing monthly or bi-weekly payrolls will continue to have access rights. All other individuals will have their access rights removed.

Conclusion – Response accepted.

(2) Access Control Documentation – Initial system access rights granted to an employee are authorized and documented, but subsequent changes to system access rights are not documented. When an employee transfers from one department to another, their system access rights are changed. In some cases, the employee's supervisor will contact the ITS Security Manager, but in other cases the change is identified by a weekly query which is run to note employee transfers. Authorization and documentation of the change to system access rights is not always retained.

Recommendation – The University should establish procedures to ensure changes to an individual's system access rights are properly authorized and documented.

Response – The University has implemented new procedures to document all changes to each individual's HRIS system access.

Conclusion – Response accepted.

Application Controls

No recommendations were noted in our review of application controls for the University's HRIS system.

<u>Staff:</u>

Questions or requests for further assistance should be directed to:

    Erwin L. Erickson, CPA, Director
    Gwen D. Fangman, CPA, Senior Auditor II
    Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this review include:

    Daniel L. Grady, Senior Auditor
    Shawn R. Elsbury, Senior Auditor
    Kristin M. Ockenfels, Assistant Auditor