



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

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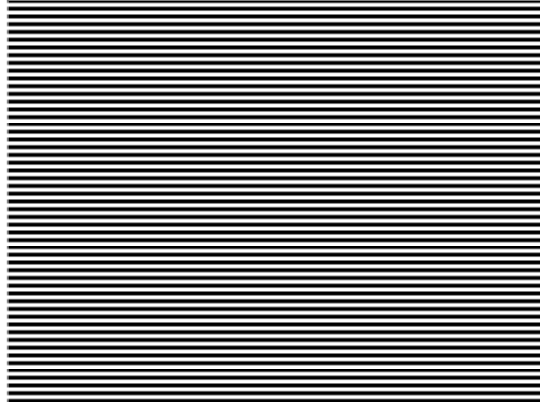
Contact: Andy Nielsen
515/281-5835

Auditor of State David A. Vaudt today released a report on the University of Northern Iowa for the year ended June 30, 2009. The University of Northern Iowa previously released its annual financial report for the year ended June 30, 2009.

The University of Northern Iowa is governed by the Board of Regents. For the fiscal year ended June 30, 2009, the full-time equivalent student enrollment was 11,141 with an average cost per student of \$12,539 compared to 10,979 students and an average cost per student of \$11,921 for the fiscal year ended June 30, 2008.

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 website at:
<http://auditor.iowa.gov/reports/1061-8030-BR00.pdf>

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

JUNE 30, 2009

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



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

August 27, 2010

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, 2009. We have also audited the financial statements of the University as of and for the year ended June 30, 2009 and have issued our report thereon dated December 14, 2009.

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 University's Report on Internal Control, as well as other recommendations related to internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with University personnel, and their responses to these recommendations are included in this report. While we have expressed our conclusions on the University's responses, we did not audit the University of Northern Iowa's responses and, accordingly, we express no opinion on them.

We have also included on page 12 of this report certain unaudited financial and other information to report an average cost per student for the University for the five years ended June 30, 2009 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 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 Chester J. Culver, Governor
Richard C. Oshlo, Jr., Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

University of Northern Iowa

June 30, 2009

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

- (A) Financial Reporting – During the audit, we identified material amounts of accounts payable and accounts receivable which were not properly recorded in the University's financial statements. Adjustments were subsequently made by the University to properly include these amounts in the financial statements.

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

Response – Accounts payable for goods and services received on the date of June 30th were inadvertently excluded from the financial statements due to an error in writing a query to select the payables from the accounts payable system. One large receivable was inadvertently omitted due to the exclusion of the related payable. Prior to completion of the audit, the University restated its financial statements to include the mentioned payables and the receivable. The University will implement procedures to ensure all receivables and payables are included in the University's financial statements.

Conclusion – Response accepted.

- (B) Wages and Salary Overpayments – When the University has incorrectly overpaid employees or students, the University has asked these individuals for a refund of the overpayment. The amount of overpayments compared to the prior year were virtually unchanged. Overpayments generally occur when a Personnel Action Form (PAF) is not submitted by the employing department to Human Resources on a timely basis when an individual leaves employment.

Recommendation – The University should work with employing departments to ensure a PAF is submitted on a timely basis to help monitor the payment of salary and wages to reduce overpayments. When overpayments occur, the University should continue to pursue refunds timely and monitor the disposition of the refund.

Response - The University agrees that salary and wage overpayments should be collected timely and has procedures in place to do so. The University has collected on all overpayments occurring during the current year and utilizes all available collection tools to collect on any overpayments outstanding from prior years. The University will continue to explore and implement alternative procedures to minimize the opportunity for overpayment to occur, including the implementation of an electronic PAF.

Conclusion – Response accepted.

June 30, 2009

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) The payroll department is currently responsible for setting up new student employees on the payroll system, including all personnel data as well as the rate of pay.

Recommendation – Duties should be segregated so one individual can not prepare payment documents, approve payment and print checks. The University should separate the processing of student payroll from setting up new student employees.

Response – The University acknowledges that the ability to create and approve invoice documents electronically exists with limited individuals who also have the ability to print accounts payable checks. Procedures and compensating controls are continually evaluated to minimize the risk of inappropriately prepared checks without diminishing service levels to our students, staff and vendors. Additionally, cashiering procedures will be changing with the implementation of a new student information system later in FY 2011.

The University concurs with the auditor's findings and recommendation regarding student employees. Procedures have already been implemented to segregate the duties of setting up student employees from other payroll tasks. Electronic procedures to create and approve a student employee assignment were implemented in late FY 2009, and are originated by the hiring department. Payroll staff only process exceptions for new student employees and no longer enters all personnel data and rate of pay.

Conclusion – Response accepted.

- (2) Employee Charges – A number of departments within the University, including the ticketing system (UNITix), allow employees to purchase items, such as tickets to events, through the University's payroll system by deduction from participating employees' paychecks. Payroll deductions can be charged monthly for a period from one to six months. If the employee leaves employment, the current payroll process does not deduct any of these outstanding payroll deductions beyond the current month from an employee's final paycheck. As a result, each unit within the University is responsible for collecting any outstanding amounts owed to them directly from the former employee, although they may not have been informed when an employee leaves University employment. The University may not collect these revenues due to outstanding payroll deductions being forfeited when the employee leaves the University.

Recommendation – Departments within the University, including the ticketing system (UNITix), should develop, maintain and reconcile a complete and accurate record of outstanding employee (payroll deduction) receivables. These departments should work with the Payroll department so they can deduct outstanding deductions from an employee's final paycheck. When this is not possible, these departments should request or receive a monthly report of employees leaving the University so they can collect outstanding charges on a timely basis.

Report of Recommendations to the University of Northern Iowa

June 30, 2009

Response – The University acknowledges the need to monitor outstanding employee receivables collected through payroll deduction. Departments, including the ticketing system (UNITix), have developed procedures to reconcile outstanding amounts collected via payroll deduction with amounts charged for payroll deduction. These departments receive a monthly report from Payroll that identifies employees leaving the University, and provides a mechanism to collect remaining balances from a final payroll disbursement. Additional procedures have been developed to generate bills for outstanding balances of former employees using the University’s non-student accounts receivable system.

Finally, former employees with outstanding balances due UNITix or other departments will not be allowed to make future purchases until all outstanding balances are cleared.

Conclusion – Response accepted.

- (3) Department Cash – Cash is provided to departments for change in providing services to students and the public. A listing of authorized cash by department is maintained by the Office of Business Operations (Cashier’s Office). Departments are responsible for safeguarding and accounting for the cash in their custody. Two departments selected to perform surprise cash counts had variances and there was no evidence as to when the cash was last counted.

Recommendation – Departmental cash should be counted by an independent person on a regular basis and reconciled to the authorized amounts.

Response – The University has an internal control procedure in place requiring cash fund custodians and their department heads to certify on a monthly basis the balance on hand reconciles to the amount advanced by the Cashier’s Office. This internal control will be supplemented by periodic, surprise counts of significant change funds by the University’s internal audit staff.

Conclusion – Response accepted.

- (4) Value-added tax (VAT) - Camp Adventure staff frequently stay at the Hotel Rose in Heidelberg, Germany when traveling to Europe. A copy of the bill is submitted by the employees with their travel reimbursement. The invoices submitted by the employees include the amount charged for the use of the room as well as the tax on the room.

During our Special Investigation issued February 2, 2009, an Internal Audit staff member spoke with a Hotel Rose representative who reported the former Assistant Director and other Camp Adventure staff members are exempt from Germany’s value added tax (VAT) because they stay for extended periods. According to the hotel representative, the Camp Adventure staff members do not pay the tax even though it is printed on their invoices. However, the former Assistant Director claimed she paid the tax to Hotel Rose with proceeds from her travel advances.

During the Special Investigation noted above, we reviewed copies of credit card receipts which showed the amount actually paid by the former Assistant Director was less than the amount shown on the invoices by the amount of the VAT. In addition, during the exit process with the University, the former Assistant Director signed a document acknowledging she owed the University the amount of the VAT she claimed. The amount of the tax claimed, but unpaid by the former Assistant Director, totaled \$2,798.55.

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During the current fiscal year, as a result of a follow-up, we obtained travel reimbursement documentation for other Camp Adventure employees who traveled to Germany from January 2005 through June 2009. We determined another Camp Adventure employee claimed the amount of VAT included on the invoice but not paid to the Hotel Rose. The total amount of the tax claimed, but unpaid by the employee, totaled \$887.09.

Recommendation – The University should consult legal counsel regarding the amounts owed by the employee.

Response – The issue of value added tax (VAT) reimbursement came to the attention of Camp Adventure management in 2008 when an employee inappropriately claimed VAT reimbursement. Subsequently, VAT procedures were added to the training provided to all field supervisors. VAT procedures were then correctly followed in 2009, as confirmed by a June 1, 2010 email from a member of the Auditor of State's staff.

When travel advances for 2005-2009 were recently reviewed, it was found that an employee incorrectly claimed VAT reimbursement in 2005. Camp Adventure management consulted legal counsel regarding the matter; the value-added tax inappropriately claimed by an employee was subsequently refunded to the appropriate account.

Conclusion – Response accepted.

- (5) Camp Adventure – Camp Adventure Youth Services (Camp Adventure) programs are directed primarily toward United States military installations, embassies and corporate clubs and organizations worldwide. According to Camp Adventure's website, the program is offered at 150 sites in Asia, Europe and South America and serves 750,000 children and youth annually, based on daily participation rates.

College students participate in the program by providing leadership to the youth. They pay tuition and earn academic credit for participating in the program. Camp Adventure provides financial support for the college students' transportation, lodging and living expenses. Camp Adventure staff arrange transportation to the camp locations and purchase airline tickets for the students using University procurement cards assigned to staff members. In addition, the students are provided a per diem amount for food and lodging expenses.

In December 2008, a Camp Adventure employee and two siblings, along with several college students, were sent to a Child Development Center in Germany for approximately 26 days between December 22, 2008 and January 17, 2009.

The Camp Adventure Per Diem List dated December 3, 2008 stated one sibling was a student at the University of Iowa and the other was a student at Iowa State University. However, we determined these individuals were not college students at the date of departure. One had graduated with a B.S. in Business on December 20, 2008 and there was no record of the other attending the University of Iowa.

According to the Director of Camp Adventure, these individuals provided services to Camp Adventure. Although they were not current students, they had participated in the Camp Adventure program in the past and were considered veterans of the program.

Recommendation - The Camp Adventure Program should evaluate the supervisory staff to determine if they have a relationship with the staff or students they are supervising to help minimize the appearance of nepotism.

Report of Recommendations to the University of Northern Iowa

June 30, 2009

Response – Camp Adventure management has evaluated its supervisory staff in regard to family relationships to ensure supervision of student interns is conducted in a manner that minimizes the appearance of nepotism. There are no student interns in the program who are directly supervised by a relative.

The employee referenced in the audit comment did not directly supervise the work of the two related student interns (siblings). She was the liaison to multiple regional Child Development Centers in Germany, Italy and Belgium providing in-service training and logistical support to 65 student interns in three countries. She did not place, compensate, or grade the student interns. They were not employees and received no salary/wage; they received a living stipend. A military staff person, at the site to which student interns are assigned, provided direct supervision of their efforts within the Child Development Center.

At the date of their departure, the employee and two siblings discussed in the audit comment were enrolled for University credit at UNI. Camp Adventure is an academic program and all participants are required to be enrolled in coursework for University credit. All three completed field coursework for graduate credit in course 430:141G, Section 60. Course enrollment at UNI generates a Student ID. Participant checks are not written by the Office of Business Operations without a Student ID.

Of the two related individuals (siblings) noted in the audit comment, one had a degree from ISU and the other had a degree from Grinnell College. This Grinnell College student was erroneously coded as being a University of Iowa student in the Camp Adventure database due to a keying error.

Program participants represent approximately 80 colleges and universities annually and all majors may apply. Individuals who have graduated from a college/university may participate in the program for graduate credit. The program's database will be revised to code participants as "school attending/attended" (instead of "school attending") to reflect this fact.

All applicants to the program are asked to list the names of individuals with whom they would like to be placed on their application forms. These requests are considered in the overall placement process. The related student interns (siblings) were well qualified to participate in the program based on prior experience working with military children and youth.

Conclusion – Response accepted.

June 30, 2009

Finding Related to Statutory Requirements and Other Matters:

Competitive Bidding – Chapter 262.34(2) of the Code of Iowa requires the University to obtain the names of all subcontractors who will work on the project from the bidder awarded a contract within forty-eight hours after the contract is awarded. Three instances were noted in which subcontractor listings were not received by the University within forty-eight hours as required.

Recommendation – The University should ensure a bidder awarded a contract discloses the names of all subcontractors who will work on the project being bid within forty-eight hours after awarding the contract as required by Chapter 262.34(2) of the Code of Iowa.

Response – Soon after the FY 2008 exit conference, the University changed its procedures to comply with Chapter 262.34(2) of the Code of Iowa. The three instances in which subcontractor listings were not received by the University within forty-eight hours after a contract was awarded occurred prior to the date the University changed its procedures.

Upon receipt of the Authorization for Award of Construction Contracts form, a Facilities Services employee prepares a Notice of Award letter, which is sent by facsimile. The Notice of Award directs the contractor to complete and return the attached Subcontractor Form within 48 hours. This faxed Notice of Award begins the 48-hour notice requirement. In addition, the University continues to advise contractors of the Subcontractor Form requirements in pre-bid meetings and in the instructions included in the bid document package.

Conclusion – Response accepted.

Report of Recommendations to the University of Northern Iowa

June 30, 2009

Staff:

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Billie Jo Heth, Senior Auditor II
Shawn R. Elsbury, Senior Auditor
Aaron P. Wagner, CPA, Staff Auditor
Kurt D. Goldsmith, Assistant Auditor
Kelly L. Hilton, Assistant Auditor
Rosemary E. Nielsen, Assistant Auditor
Leanna J. Showman, Assistant Auditor

University of Northern Iowa

Cost per Student
(Unaudited)

Year ended June 30, 2009
with comparative figures for prior years

Total General Educational Fund expenditures (expressed in thousands)		\$ 156,951
Deduct:		
Expenditures not related to teaching programs: (expressed in thousands)		
Research separately budgeted	\$ 656	
Extension and public service	6,048	
Student aid	<u>10,547</u>	<u>17,251</u>
Net disbursements for teaching programs		<u>\$ 139,700</u>
Full-time equivalent enrollment 2008-2009		<u>11,141</u>
Cost per student 2008-2009		<u>\$ 12,539</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2009 and the four previous years.

Year	Enrollment	Cost per Student
2008-2009	11,141	\$ 12,539
2007-2008	10,979	11,921
2006-2007	10,783	11,580
2005-2006	10,969	11,006
2004-2005	11,351	10,242