



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

July 21, 2006

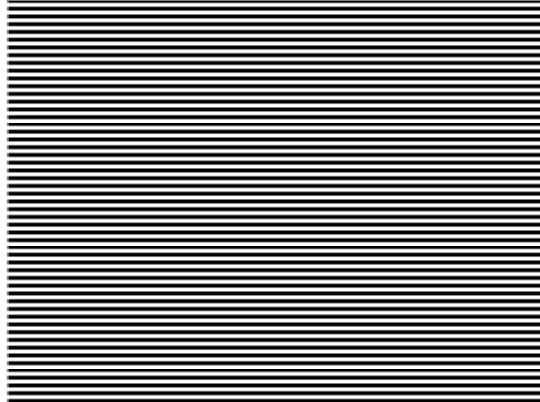
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Auditor of State David A. Vaudt today released a report on the State University of Iowa, Iowa City, Iowa for the year ended June 30, 2005. The State University of Iowa (University of Iowa) previously released its annual financial report for the year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

The University of Iowa is governed by the Board of Regents. For the year ended June 30, 2005, the full-time equivalent student enrollment was 26,111 with an average cost per student of \$15,685, compared to 26,407 students and an average cost of \$15,402 for the year ended June 30, 2004. The University Hospitals and Clinics served a total of 170,446 patient days at an average daily cost per patient of \$3,444 for the year ended June 30, 2005, compared to 172,248 patient days at an average daily cost per patient of \$3,388 for the year ended June 30, 2004.

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**

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 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, 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 14, 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 which include those reported in the State's Single Audit Report, as well as 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 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, 2005 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, 2005

Findings Reported in the State's Single Audit Report:

CFDA Number: 84.038 – Federal Perkins Loan Program – Federal Capital Contributions
Agency Number: None
Federal Award Year: 2005

State of Iowa Single Audit Report Comment 05-III-USDE-619-2

- (1) Federal Perkins Loan Program Transfer – 34 CFR 674.18 allows the University to transfer up to 25% of its total Federal Perkins Loan allocation for an award year to the Federal Work-Study Program. Unexpended Federal-Work Study funds are to be transferred back to the Federal Perkins Loan Program at the end of the award year.

The University transferred \$16,387 from the Federal Perkins Loan Program to the Federal Work-Study Program during fiscal year 2005. At the end of the year, unexpended Federal Work-Study Program funds of \$11,658 were reported on the Fiscal Operations Report for 2004-2005 (FISAP) as a carry forward to the 2005-2006 Federal Work-Study Program instead of being transferred back into the Federal Perkins Loan Program.

As a result, unexpended Federal Work-Study Program funds of \$11,658 not returned to the Federal Perkins Loan Program as of June 30, 2005 are questioned.

Recommendation – The University should make a corrective transfer \$11,658 from the Federal Work-Study Program to the Federal Perkins Loan Program.

Response and Corrective Action Planned –The University of Iowa Office of Student Financial Aid acknowledges the interpretation of the applicable regulation used by this office varied from the description cited in the Federal Student Aid Handbook. The University will immediately make the corrective transfer from the Federal Work-Study Program to the Federal Perkins Loan Program.

Conclusion – Response accepted.

CFDA Number: 12.431- Basic Scientific Research
Agency Number: DAAD19-02-1-0243
Federal Award Year: 2005

CFDA Number: 43.001 – Aerospace Education Services Program
Agency Number: NAG5-8918
Federal Award Year: 2005

CFDA Number: 47.041 – Engineering Grants
Agency Number: EEC 00-02971
Federal Award Year: 2005

CFDA Number: 47.049 – Mathematical and Physical Sciences
Agency Number: DMS 02-19737
Federal Award Year: 2005

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June 30, 2005

CFDA Number: 47.050 - Geosciences
Agency Number: ATM 02-05198
Federal Award Year: 2005

CFDA Number: 84.133 – National Institute on Disability and Rehabilitation Research
Agency Number: H133B010102
Federal Award Year: 2005

CFDA Number: 93.121 – Oral Diseases and Disorders Research
Agency Number: 5 8-PODE13076A
Federal Award Year: 2005

CFDA Number: 93.173 – Research Related to Deafness and Communication Disorders
Agency Number: 8-R1DC04290A, 8-PODC02746B
Federal Award Year: 2005

CFDA Number: 93.230 – Consolidated Knowledge Development and Application (KD&A) Program
Agency Number: C-U1TI12632A, C-U1TI13596A
Federal Award Year: 2005

CFDA Number: 93.242 – Mental Health Research Grants
Agency Number: 8-R1MH61731A, 8-R1MH65134A, 8-R1MH61836B, 8-R1MH63758B
Federal Award Year: 2005

CFDA Number: 93.262 – Occupational Safety and Health Research Projects (Passed through Center to Protect Workers Rights)
Agency Number: 1020-04
Federal Award Year: 2005

CFDA Number: 93.361 – Nursing Research
Agency Number: 8-R1NR05269A, 8-RNR008528A, 8-PONR03979B
Federal Award Year: 2005

CFDA Number: 93.395 – Cancer Treatment Research (Passed through NSABP Foundation, Inc.)
Agency Number: TFED34-013
Federal Award Year: 2005

CFDA Number: 93.396 – Cancer Biology Research
Agency Number: 8-R1CA88043A
Federal Award Year: 2005

CFDA Number: 93.837 – Heart and Vascular Diseases Research
Agency Number: 8-POHL55006B
Federal Award Year: 2005

CFDA Number: 93.838 – Lung Diseases Research
Agency Number: 8-R1HL64368A
Federal Award Year: 2005

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June 30, 2005

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

Agency Number: 8-R1NS38554A, 8-R1NS40068A

Federal Award Year: 2005

CFDA Number: 93.856 – Microbiology and Infectious Diseases Research

Agency Number: 8-N01AI30040

Federal Award Year: 2005

CFDA Number: 93.859 – Biomedical Research and Research Training

Agency Number: 8-P1GM58890A

Federal Award Year: 2005

CFDA Number: 93.865 – Child Health and Human Development Extramural Research

Agency Number: 8-R1HD39753A, 8-R1HD32579C

Federal Award Year: 2005

CFDA Number: 93.866 – Aging Research

Agency Number: 8-R1AG12350C

Federal Award Year: 2005

CFDA Number: 93.867 – Vision Research

Agency Number: C-U9TI13354A

Federal Award Year: 2005

CFDA Number: 93.956 – Agricultural Health and Safety Programs

Agency Number: 9-U00H07548A

Federal Award Year: 2005

State of Iowa Single Audit Report Comments: 05-III-DOD-619-1

05-III-NASA-619-1

05-III-NSF-619-1

05-III-USDE-619-2

05-III-HHS-619-2

- (2) Subrecipient Monitoring – OMB Circular A-133 Subpart C.320(a) requires subrecipients subject to a single audit to submit audit reports to the pass-through entity within the earlier of 30 days after the receipt of the audit report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the oversight agency for audit.

The University sent letters to subrecipients for the fiscal year ended June 30, 2004 requesting a copy of the single audit report or documentation stating the subrecipient was not subject to the single audit requirement. As of February 16, 2006, the University had not obtained and reviewed single audit reports or determined audits were not applicable for 26 of 135 subrecipients.

Recommendation – The University should implement procedures to ensure single audit reports are obtained within nine months after the subrecipient's fiscal year end.

Report of Recommendations to the University of Iowa

June 30, 2005

Response and Corrective Action Planned – All subrecipient single audit reports were obtained and reviewed by February 28, 2006, which follows the current grant accounting subrecipient monitoring documented procedures.

As an improvement to current practice, the grant accounting subrecipient monitoring procedures will be revised to ensure that the single audit reports will be obtained within six months after the subrecipient is required to issue their single audit report.

Conclusion – Response acknowledged. The University's procedures should ensure subrecipients subject to single audit submit required audit reports for timely review as required by OMB Circular A-133.

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

Agency Number: None

Federal Award Year: 2005

State of Iowa Single Audit Report Comment 05-III-USDE-619-3

- (3) Refunds to Federal Perkins Loan Fund – 34 CFR 668.22 requires the University to return unearned funds for which it is responsible within 30 days from the date the institution determines that the student withdrew.

Unearned funds for nine students who withdrew during Fall 2004 semester and 1 student who withdrew in February 2005 were not returned to the Federal Perkins Loan Program until May or June 2005. Funds for an additional 57 students who refused or cancelled their loans during the academic year 2004-2005 were not returned to the Federal Perkins Loan Program until May or June 2005.

Recommendation – The University should implement procedures to ensure unearned funds for students who withdraw are returned to the Federal Perkins Loan Program within 30 days as required by Federal regulations. In addition, procedures should be implemented to ensure funds for loans that are refused or cancelled are returned to the Federal Perkins Loan Program in a timely manner.

Response and Corrective Action Planned – The University has recently completed IT programming updates that will ensure Federal Perkins Loan funds that are unearned due to a student's withdrawal are returned to the program within 30 days, and that loan funds refused or cancelled are returned to the Federal Perkins Loan Program in a timely manner. These programming updates will be rolled into production not later than March 31, 2006.

Conclusion – Response accepted.

Report of Recommendations to the University of Iowa

June 30, 2005

Findings Related to Internal Control:

(A) Segregation of Duties over Financial Statement Preparation – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Two accountants within Accounting Services make adjustments to the general ledger to prepare the financial statements and also prepare the financial statements.
- (2) Numerous journal entries posted to the general ledger did not contain adequate descriptions. Certain journal entries and amounts initially reported in the University's Statement of Cash Flows for fiscal year 2005 required revision.
- (3) There was no evidence of supervisory review and approval of the adjustments.

Recommendation – Duties should be segregated so an individual not involved in making adjustments to the general ledger or in preparing the financial statements reviews the adjustments and documents that review. The purpose of the journal entry should be clearly described.

Response – Accountants make adjustments to the general ledger for preparation of the financial statements. All such adjustments will be reviewed by the Associate Controller or Associate Director of Accounting Services to ensure the entries are correct and contain adequate descriptions of the nature and purpose of the adjustments. The Associate Controller or Director of Accounting Services will sign off on the adjustments after this review has been performed. The sign-off may be in the form of an email approval or signature/initial on hardcopy form.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the University of Iowa

June 30, 2005

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:

Kip M. Druecker, Staff Auditor
Daniel L. Grady, Staff Auditor
Philip J. Cloos, Assistant Auditor
Carey L. Fraise, Assistant Auditor
Carmon K. Kutcher, Assistant Auditor
Chad D. Lehman, Assistant Auditor
Carrie L. Livingston, Assistant Auditor
Jennifer S. Reynolds, Assistant Auditor
Brandon J. Yuska, Assistant Auditor
Michael P. Piehl, Auditor Intern
Kara E. Rasmussen, Auditor Intern

University of Iowa

Cost per Student
(unaudited)

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

Total General Educational Fund expenditures		\$ 462,298,705
Deduct:		
Expenditures not related to teaching programs:		
Research separately budgeted	\$ 10,038,374	
Extension and public service	5,353,997	
Student aid	<u>37,366,208</u>	<u>52,758,579</u>
Net expenditures for teaching programs		<u>\$ 409,540,126</u>
Full-time equivalent enrollment 2004-2005		<u>26,111</u>
Cost per student 2004-2005		<u>\$ 15,685</u>

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

<u>Year</u>	<u>Enrollment</u>	<u>Cost per Student</u>
2004-2005	26,111	\$15,685
2003-2004	26,407	15,402
2002-2003	26,068	15,175
2001-2002	24,824	15,372
2000-2001	24,283	15,535

University of Iowa
University Hospitals and Clinics

Daily Cost per Patient
(unaudited)

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

Total University Hospitals' expense	\$ 613,202,786
Deduct non-patient expenses:	
Cafeteria and other excludable sales	<u>26,117,415</u>
Net expenses for patient care	<u>\$ 587,085,371</u>
Total patient days 2004-2005	<u>170,446</u>
Daily cost per patient 2004-2005	<u>\$ 3,444</u>

Comparative patient statistics and cost per patient for the year ended June 30, 2005 and four previous years:

Year	Patient Days	Daily Cost per Patient
2004-2005	170,446	\$ 3,444
2003-2004	172,248	3,388
2002-2003	173,768	3,031
2001-2002	185,666	2,634 *
2000-2001	191,183	2,345

* - 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.