



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

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**NEWS RELEASE**

FOR RELEASE

July 2, 2007

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515/281-5835

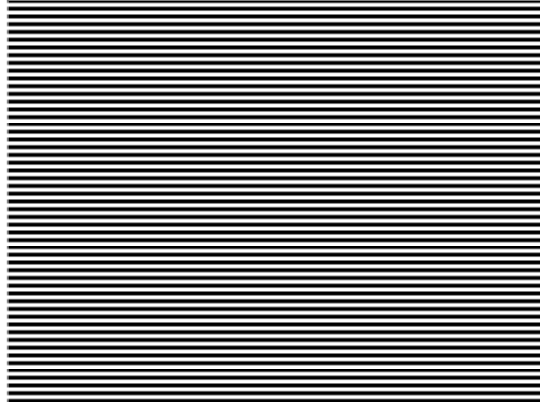
Auditor of State David A. Vaudt today released a report on the State University of Iowa, Iowa City, Iowa for the year ended June 30, 2006. The State University of Iowa (University of Iowa) previously released its annual financial report for the year ended June 30, 2006.

The University of Iowa is governed by the Board of Regents. For the year ended June 30, 2006, the full-time equivalent student enrollment was 26,774 with an average cost per student of \$15,947, compared to 26,111 students and an average cost of \$15,685 for the year ended June 30, 2005. The University Hospitals and Clinics provided a total of 162,068 patient days at an average daily cost per patient of \$3,813 for the year ended June 30, 2006, compared to 170,446 patient days at an average daily cost per patient of \$3,444 for the year ended June 30, 2005.

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, 2006**

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



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







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June 28, 2007

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, 2006. We have also audited the financial statements of the University as of and for the year ended June 30, 2006 and have issued our report thereon dated December 11, 2006.

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 9 and 10 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, 2006 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 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 Chester Culver, Governor  
Charles J. Krogmeier, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the University of Iowa

June 30, 2006

**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: 2006**

**State of Iowa Single Audit Report Comment: 06-III-USDE-619-2**

- (1) Perkins Delinquent Notices – 34 CFR 674.43 requires the University to send borrowers with delinquent accounts overdue notices when 45 and 60 days past due and a final demand letter when 90 days past due.

The University does not have a system in place to ensure the required final demand letters are sent on a timely basis in accordance with Federal regulations.

Recommendation – The University should implement procedures to ensure final demand notices are sent to borrowers with delinquent accounts on a timely basis.

Response and Corrective Action Planned – Effective March 2007, the University outsourced the student loan administration function to a third-party processor, ECSI Incorporated. ECSI Inc. is dedicated to servicing higher education student loans and is one of the largest companies within this service industry. In addition, the University has directed ECSI Inc. to issue final past due notices to all borrowers who are 90 days or more past due. ECSI Inc. has informed the University that this will be accomplished no later than April 15, 2007.

Conclusion – Response accepted.

Report of Recommendations to the University of Iowa

June 30, 2006

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

**Agency Number: None**

**Federal Award Year: 2006**

**State of Iowa Single Audit Report Comment: 06-III-USDE-619-3**

- (2) 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 the student withdrew.

Unearned funds for 4 students who withdrew during the Fall 2005 semester and 2 students who withdrew during the Spring 2006 semester were not returned to the Federal Perkins Loan Program within 30 days as required. Funds for an additional 53 students who refused or cancelled their loans during the 2005-2006 academic year were not returned to the Federal Perkins Loan Program until May 2006.

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 – After an unanticipated Information Technology (IT) programming delay, corrective action was implemented by the University as of May 2006. The completed updating of computer programs tracking loan adjustments in the Federal Perkins Loan Program now ensures that return of funds adjustments resulting from student withdrawals, requested reductions or cancellations are recorded and posted monthly.

Conclusion – Response accepted.

June 30, 2006

**Findings Related to Internal Control:**

- (A) Journal Entry Approval – During fiscal year 2006, the University installed a PeopleSoft general ledger system which included a paperless system for documenting journal entries. For journal entries entered through batch processing, PeopleSoft does not document the originator of the journal entry because the database level auditing function has not been activated. For all journal entries, the University does not have a policy requiring review and approval of journal entries by supervisory personnel, nor does the journal entry system have a mechanism in place to document supervisory approval.

Recommendation – The University should implement policies and procedures to ensure the originators of journal entries are documented and supervisory approval of those journal entries is documented.

Response -

**ORIGINATORS OF JOURNAL ENTRIES**

A majority of our journal entries do capture the originators of the entries; all web-based transaction processing applications send this information to the General Ledger (G/L). There are two instances where this is not the case – entries which are created by the G/L system and entries which are generated by feeder systems which are not IMFO web applications.

Examples of G/L system created journal entries include allocation entries and offset entries. Currently, allocations are calculated and created in the G/L system and contain a blank user ID field. We will pursue the option of copying the operator ID field (operator is central Accounting Services staff member running the process). Offset entries also contain blank user ID's. We will address this issue in one of two ways – (1) amend our edit process to capture user ID's when the offset entries are created, or (2) amend our extract routine to include user ID before data is loaded to the data warehouse.

In the case of entries generated by non-web applications feeder systems, there is no user ID because the application ID takes its place. The feeder systems use the same journal ID each month. The journal is referenced to a feeder system and a specific contact name. Accounting Services will publish this reference table on our website. Given the availability of this reference table, we do not believe there is a need to change this practice.

**APPROVAL OF JOURNAL ENTRIES**

The University of Iowa does not require supervisory approval of journal entries. However, supervisors are required to approve every user who is set up to have access to the journal entry applications. Supervisory approval of such users designates that the user is properly trained, educated and that his/her job role requires the use journal entry applications. Furthermore, each department is expected to have an internal process for monthly review of detailed transactions. It is a department's responsibility to ensure all charges to its accounts are appropriate and accurate. Although no general written policy



Report of Recommendations to the University of Iowa

June 30, 2006

currently exists which articulates this responsibility, we intend to develop a policy to clarify the requirement.

Central administration also provides education on a regular basis on the types of journal entries that are acceptable and expected. System edits are used for restricted and unrestricted fund accounts and are used to control journal activity. The creation of journal entries is decentralized; however, multiple security levels for users are utilized, as are many system edits, within PeopleSoft GL and the in-house developed journal entry applications.

Conclusion – Response acknowledged. The written policy regarding monthly reviews of detailed transactions should also include a procedure to document the review.

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

No matters were noted.

Report of Recommendations to the University of Iowa

June 30, 2006

**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, Staff Auditor  
Carmon K. Kutcher, Staff Auditor  
Carrie L. Livingston, CPA, Staff Auditor  
Bradley A. Meisterling, Staff Auditor  
Brian P. Schenkelberg, Assistant Auditor  
Adam D. Steffensmeier, Assistant Auditor  
James R. Wittenwyler, Assistant Auditor  
Jenna L. Green, Auditor Intern

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University of Iowa

Cost per Student  
(unaudited)

Year ended June 30, 2006  
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 482,620,831
Deduct:		
Expenditures not related to teaching programs:		
Research separately budgeted	\$ 10,927,238	
Extension and public service	4,924,096	
Student aid	<u>39,792,111</u>	<u>55,643,445</u>
Net expenditures for teaching programs		<u>\$ 426,977,386</u>
Full-time equivalent enrollment 2005-2006		<u>26,774</u>
Cost per student 2005-2006		<u>\$ 15,947</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2006 and four previous years:

<u>Year</u>	<u>Enrollment</u>	<u>Cost per Student</u>
2005-2006	26,774	\$ 15,947
2004-2005	26,111	15,685
2003-2004	26,407	15,402
2002-2003	26,068	15,175
2001-2002	24,824	15,372

University of Iowa  
University Hospitals and Clinics

Daily Cost per Patient  
(unaudited)

Year ended June 30, 2006  
with comparative figures for prior years

Total University Hospitals' expense	\$ 643,961,131
Deduct non-patient expenses:	
Cafeteria and other excludable sales	<u>26,067,890</u>
Net expenses for patient care	<u>\$ 617,893,241</u>
Total patient days 2005-2006	<u>162,068</u>
Daily cost per patient 2005-2006	<u>\$ 3,813</u>

Comparative patient statistics and cost per patient for the year ended June 30, 2006 and four previous years:

Year	Patient Days	Daily Cost per Patient
2006-2006	162,068	\$ 3,813
2004-2005	170,446	3,444
2003-2004	172,248	3,388
2002-2003	173,768	3,031
2001-2002	185,666	2,634 *

\* - 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.