



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

July 17, 2009

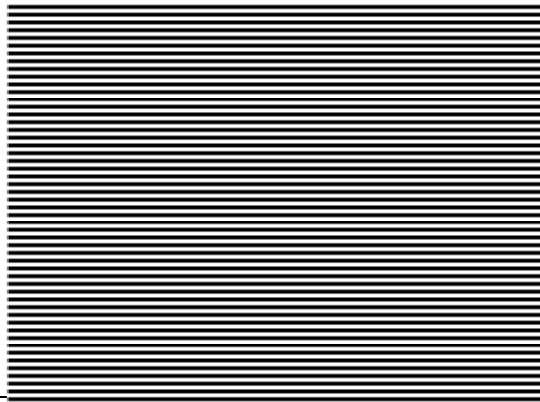
Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on Iowa State University of Science and Technology, Ames, Iowa, for the year ended June 30, 2008. Iowa State University of Science and Technology previously released its annual financial report for the year ended June 30, 2008.

Iowa State University of Science and Technology is governed by the Board of Regents. For the year ended June 30, 2008, the full-time equivalent student enrollment was 25,937 with an average cost per student of \$12,582, compared to 25,150 students and an average cost per student of \$12,461 for the year ended June 30, 2007.

A copy of the report is available for review at Iowa State University of Science and Technology, 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
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

JUNE 30, 2008

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



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July 17, 2009

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

Iowa State University of Science and Technology (Iowa State University) 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 and the State's Single Audit Report for the year ended June 30, 2008. We have also audited the financial statements of Iowa State University as of and for the year ended June 30, 2008 and have issued our report thereon dated December 9, 2008.

In conducting our audits, we became aware of certain aspects concerning Iowa State 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 were reported in the University's Report on Internal Control. These recommendations have been discussed with University personnel and their responses to the recommendations are included in this report. While we have expressed our conclusions on the University's responses, we did not audit Iowa State University's responses and, accordingly, we express no opinion on them.

We have also included on page 7 of this report certain unaudited financial and other information to report an average cost per student for Iowa State University for the five years ended June 30, 2008 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 Iowa State University, citizens of the State of Iowa and other parties to whom Iowa State University 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 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

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

June 30, 2008

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

- (A) Bookstore Inventory – The University Bookstore (Bookstore) maintains retail inventory on a perpetual basis and annually counts 100% of the inventory. The Bookstore made numerous adjustments totaling \$196,289 to reported retail inventory as a result of this count. Year end inventories for electronics, computers, software and gift items were written down by 25.6%, 17.6%, 16.8%, and 4.5%, respectively. Additionally, five of twenty-five items tested had variances after the system was updated.

Recommendation – The University should implement procedures to properly safeguard Bookstore inventory and ensure Bookstore inventory is accurate.

Response – The University concurs with the Auditor's recommendation and has implemented the following corrective action:

Cycle counts. The University Bookstore (UBS) has focused more on conducting cycle counts of inventory on a regular basis. For instance, a group of merchandise classes will be counted and compared to quantities and values in the accounting system during a given month and a different series of classes will be reviewed the next month.

Security cameras. UBS is currently engaged in the bidding process for security cameras for the retail floor, as well as the stock room and office areas. The current plans call for a total of 49 cameras, which will record 24 hours per day. These cameras will help to reduce external (as well as internal) theft, which adds to the UBS' annual shrinkage.

Write-off procedures. The process for write-offs has been better delineated and shared with staff involved with merchandise management.

Conclusion – Response accepted.

- (B) Employee Travel Reimbursement – The University utilizes a travel reimbursement system which permits departments to on-line employee requests for reimbursement and to retain required supporting documentation in the department. The Accounting Office selects a random number of employee reimbursements and requests the supporting documentation from the departments to audit for compliance with University travel policies.

For one of fifteen reimbursements tested, the Accounting Office had audited the reimbursement, but non-compliance with University policies was not identified. The amount in question was eventually reimbursed by the employee.

Additionally, two claims selected by the Accounting Office were not audited timely because the supporting documentation requested from the departments was not received.

Report of Recommendations to Iowa State University

June 30, 2008

Recommendation – The Accounting Office should ensure travel claims are audited timely and accurately. Additionally, the University should ensure non-compliant expenses are reimbursed by employees.

Response – The reimbursement on which non-compliance was not detected was caused by an incorrect assumption being made in the department processing the reimbursement. When the Auditors requested additional information, the department realized the error and the employee refunded that portion of the reimbursement. A step has been added to the audit process so adequate information on vehicle ownership will be collected in the future.

Months ago, the University recognized the need for more timely auditing of reimbursements and has been working on a system enhancement that will enable electronic copies of supporting documentation to be attached and routed with the electronic reimbursement request. This will greatly reduce the amount of follow-up required which, in turn, improves the timeliness of auditing. The enhancement should be operational by June 2009.

In November 2008, the University began adding over-reimbursements to the employee's accounts receivable, the standard method by which the University collects payments owed. The Accounts Receivable system sends monthly notices of payments due to the employee and will add a finance charge to overdue accounts.

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 Iowa State University

June 30, 2008

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Manager
Patricia J. King, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Michael J. Hackett, Senior Auditor
Brett C. Conner, Staff Auditor
Janet K. Mortvedt, CPA, Staff Auditor
Jenny R. Schneider, Staff Auditor
Adam D. Steffensmeier, Staff Auditor
Brett M. Zeller, Staff Auditor
Scott G. Anderson, Assistant Auditor
Allison P. Baker, Assistant Auditor
Samantha J. Brincks, Assistant Auditor
Jessica P.V. Green, Assistant Auditor
Jacqueline E. Gulick, Assistant Auditor
Daniel W. Henaman, Assistant Auditor
Casey L. Johnson, Assistant Auditor
Rosemary E. Nielsen, Assistant Auditor
Gabriel M. Stafford, CPA, Assistant Auditor
Michael T. Stevens, Assistant Auditor

Iowa State University

Cost per Student
(unaudited)

Year ended June 30, 2008
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 408,761,936
Deduct:		
Expenditures not related to teaching programs:		
General University Research	\$ 11,860,061	
Public Service	5,520,389	
Scholarships	<u>65,053,183</u>	<u>82,433,633</u>
Net expenditures for teaching programs		<u>\$ 326,328,303</u>
Full-time equivalent enrollment 2007-2008		<u>25,937</u>
Cost per student 2007-2008		<u>\$ 12,582</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2008 and the four previous years:

Year	Enrollment	Cost per Student
2007-2008	25,937	\$12,582
2006-2007	25,150	12,461
2005-2006	25,410	11,914
2004-2005	25,921	11,293
2003-2004	26,298	10,859