



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

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David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE March 5 2007

Contact: Andy Nielsen  
515/281-5834

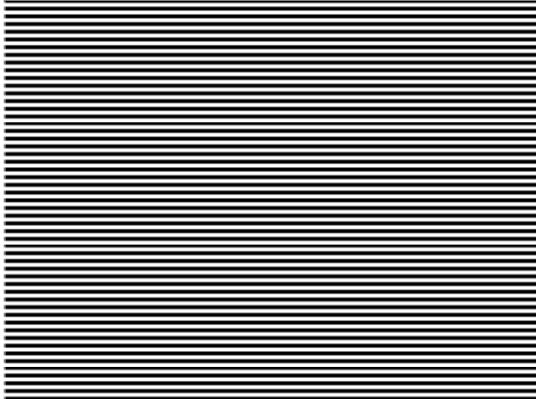
Auditor of State David A. Vaudt today released a report on a review of selected general and application controls over the University of Northern Iowa's Modern Executive Management Financial Information System (MEMFIS) human resources and payroll modules for the period May 22, 2006 through June 12, 2006.

Vaudt recommended the University require comprehensive background checks, develop formal written policies covering confidentiality and security agreements, separate incompatible payroll duties and resolve the back-dating of quick pays.

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 web site at <http://auditor.iowa.gov/reports/reports.htm>.

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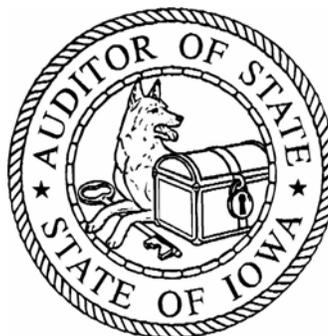


**REPORT OF RECOMMENDATIONS TO THE  
UNIVERSITY OF NORTHERN IOWA  
ON A REVIEW OF SELECTED GENERAL  
AND APPLICATION CONTROLS OVER  
THE MODERN EXECUTIVE MANAGEMENT  
FINANCIAL INFORMATION SYSTEM**

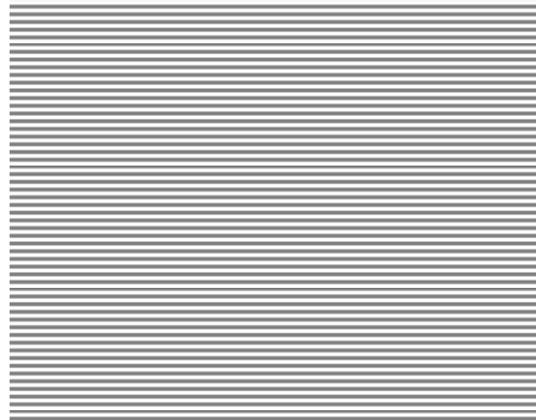
**MAY 22, 2006 through JUNE 12, 2006**

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**David A. Vaudt, CPA**  
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November 6, 2006

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

In conjunction with our audit of the financial statements of the University of Northern Iowa for the year ended June 30, 2006, we have conducted an information technology review of selected general and application controls for the period May 22, 2006 through June 12, 2006. Our review focused on the general and application controls for the Modern Executive Management Financial Information System (MEMFIS) 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 MEMFIS 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 MEMFIS. 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 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 review. 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 review are listed on page 7 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  
Charles J. Krogmeier, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

# Report of Recommendations to the University of Northern Iowa

May 22, 2006 through June 12, 2006

## **Modern Executive Management Financial Information System (MEMFIS) General and Application Controls**

### **A. Background**

The MEMFIS Project at the University of Northern Iowa (University) is a campus-wide initiative with the primary objective of replacing the core systems of human resources, payroll, general ledger, purchasing, cash management, accounts payable, grants and contracts, projects and budgeting. As of the date of our review, the human resources, payroll, general ledger, purchasing, cash management and accounts payable applications were in place.

### **B. Scope and Methodology**

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 MEMFIS for the period May 22 through June 12, 2006. Specifically, we reviewed the following general controls: University-wide security program planning and management, access controls, and segregation of duties and the following application controls: input, processing and output controls for human resources and payroll. 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 used our finite review resources to identify where and how improvements can be made. Thus, we devoted 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. Results of the Review**

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.

- (1) Comprehensive Background Checks – The University has a policy requiring comprehensive background checks for designated positions. Information Technology Services (ITS) has not designated the positions which require comprehensive background checks to be performed before an employee is hired into a position enabling them to access, distribute or destroy confidential data. In addition, the University does not require documentation regarding reference checks be retained.

Recommendation – ITS should designate which positions require comprehensive background checks to be performed before hiring individuals in sensitive positions.

# Report of Recommendations to the University of Northern Iowa

May 22, 2006 through June 12, 2006

Documentation regarding the reference and background checks performed should be retained.

Response – The Academic Affairs Division, of which ITS is a part, is requiring comprehensive background checks on all new hires for all positions. Starting immediately, ITS will include a comprehensive background check as part of the hiring process for all new full-time employees. Copies of the background checks will be retained in the University’s Human Resources Office.

Conclusion – Response accepted.

- (2) Confidentiality Agreements – The University does not have a policy requiring employees and contractors to sign confidentiality and security agreements when using confidential information.

Recommendation – The University should develop formal written policies covering confidentiality and security agreements to be signed by employees and contractors who use confidential information.

Response – Information Technology Services (ITS) plans to develop a formal written policy covering confidentiality and security of data used by ITS employees and contractors. All employees, both current and future, and all contractors will be required to sign the agreements signifying that they have read and understand the policy regarding the confidentiality of data they may have access to in the course of their employment or contractual relationship in an IT role at the University of Northern Iowa. ITS plans to develop and implement a policy by July 1, 2007. ITS will also work with functional departments to develop formal policies for their respective areas.

Conclusion – Response accepted.

- (3) Workflow Duties – The University’s MEMFIS system grants access to users through use of responsibilities when access is set-up.

One individual was identified as having access to the UNI HRMS Student Payroll and UNI US Payroll Manager responsibilities. This combination gives the individual the ability to set up a student employee and process a payment to that student.

Recommendation – The University should review the list of those with access to payroll responsibilities and ensure access is granted only for necessary job duties and at the appropriate level of access.

Response – The University acknowledges the ability to set up a student employee, define payment and process student payroll exists with one employee. This functionality has been needed to provide back up capabilities when the individual primarily responsible for setting up students is out of the office. The situation is also the result of a small payroll staff responsible for all payroll functions. Procedures and compensating controls will continue to be evaluated to minimize the risk of inappropriately prepared payroll payments without diminishing service levels to our students.

Conclusion – Response accepted.

# Report of Recommendations to the University of Northern Iowa

May 22, 2006 through June 12, 2006

- (4) Student Employees – The payroll department is currently responsible for setting up new student employees on the payroll system, including all personal data as well as the rate of pay.

Recommendation – The University should consider segregating the task of setting up student employees from the payroll department.

Response – The University acknowledges the task of setting up student employees is not segregated from the payroll function. As a compensating control the employee who is responsible for setting up student employees does not have the ability to process student payroll. The University will continually evaluate process changes that would improve the segregation of duties.

Conclusion – Response accepted.

- (5) Backdating of Quick Pays – A payroll check that is expedited and not processed through the normal procedures is referred to as a quick pay. Due to a programming issue regarding calculation of withholdings when a quick pay is done for someone who should have been paid for a prior pay period, the date the individual should have been paid is entered instead of the actual date the check is prepared. This practice causes reconciliation problems with the general ledger.

Recommendation – The Payroll department should work with ITS staff and Oracle system programmers to find a solution to the programming issue so the quick pays can be dated the actual date they are prepared.

Response – The University acknowledges that quick pays are backdated on occasion to eliminate inappropriate taxing of individuals resulting when the actual pay date is used. Procedures are being evaluated to change the process of issuing a quick pay to eliminate the need to back date these checks.

Conclusion – Response accepted.

## **Application Controls**

No recommendations were noted in our review of application controls for the human resources and payroll modules of the University's MEMFIS system.

Report of Recommendations to the University of Northern Iowa

May 22, 2006 through June 12, 2006

**Staff:**

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director  
Darryl J. Brumm, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this review include:

Brian R. Brustkern, CPA, Senior Auditor II  
Shawn R. Elsbury, Assistant Auditor