



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

FOR RELEASE _____

July 17, 2009 _____

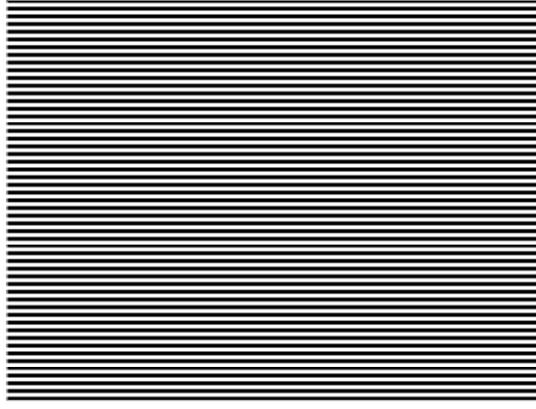
Contact: Andy Nielsen
515/281-5835

Auditor of State David A. Vaudt today released a report on the University of Northern Iowa for the year ended June 30, 2008. The University of Northern Iowa previously released its annual financial report for the year ended June 30, 2008.

The University of Northern Iowa is governed by the Board of Regents. For the fiscal year ended June 30, 2008, the full-time equivalent student enrollment was 10,979 with an average cost per student of \$11,921 compared to 10,783 students and an average cost per student of \$11,580 for the fiscal year ended June 30, 2007.

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/reports.htm>

###



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

JUNE 30, 2008

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



David A. Vaudt, CPA
Auditor of State





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

July 17, 2009

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, 2008. We have also audited the financial statements of the University as of and for the year ended June 30, 2008 and have issued our report thereon dated December 5, 2008.

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 10 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, 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 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
Director, Department of Management
Glen Dickinson, Director, Legislative Services Agency

University of Northern Iowa

June 30, 2008

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

Wages and Salary Overpayments – When the University has incorrectly overpaid several employees or students, the University has asked these individuals for a refund of the overpayment. During the fiscal year, there was an increase in the number of overpayments, but collections are being pursued more timely than in the past. Overpayments may occur if a Personnel Action Form (PAF) is not filed when an individual leaves employment or termination dates are not correctly inputted.

Recommendation – The University should continue to monitor the payment of salary and wages to reduce overpayments. When overpayments occur, the University should pursue refunds timely and monitor the disposition of the refund.

Response – The University acknowledges that salary and wage overpayments need to be collected on a timely basis. The University has collected on all overpayments occurring during the current year and agrees to utilize all available collection tools to collect on any overpayments outstanding from prior years. Additionally, the University will continue to explore alternative procedures to minimize the opportunity for overpayment to occur, including changes to the PAF process and enhanced employee notifications.

Conclusion – Response accepted.

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 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.

Report of Recommendations to the University of Northern Iowa

June 30, 2008

The University concurs with the auditor's findings and recommendation. Procedures have already been implemented to segregate the duties of setting up student employees from other payroll tasks. Additionally, electronic procedures that allow the creation of a student employee by the hiring department with final approval by the organization for student set-up have been implemented.

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 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. If 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.

Response – The University acknowledges that it is not always possible to deduct outstanding departmental payroll deductions from an employee's final check. The Payroll Department will work with departments which allow charges to be paid through payroll deduction, including UNItix, to determine the best method to collect outstanding receivables. The upcoming implementation of a non-student accounts receivable system will more efficiently facilitate the billing process.

Conclusion – Response accepted.

- (3) Timely Recording of Wire Transfers and Automated Clearing House (ACH) Items – The University receives a large amount of funds by wire transfer and direct deposit (ACH). However, they are not always receipted timely. These are recorded by the Cashiers in the Office of Business Operations. Failure to record wire transfers and ACH items on the day they are received creates additional reconciling items for the book to bank reconciliation at the end of each month.

Recommendation – Policies and procedures should be established to ensure timely recording of wire transfers and direct deposits (ACH) on a daily basis.

Response – The University concurs with the auditor's findings and recommendation. Procedures have already been implemented to record all electronic funds on the same day they are received.

Conclusion – Response accepted.

Report of Recommendations to the University of Northern Iowa

June 30, 2008

- (4) Bank Reconciliation – During the year, the University completed bank reconciliations using the Oracle system. However, since January 1, 2005, when the Oracle payroll system was implemented, the University has not been able to completely reconcile the reimbursement bank account with the general ledger each month. Variances relate to unidentified timing differences for accounts payable and payroll items. At June 30, 2008, there is an unreconciled variance of \$892.

Recommendation – Monthly reconciliations of the book to bank balances should include supporting documentation for reconciling items. Payroll reconciling items need to be communicated to the individual performing the bank reconciliation.

Response – The University acknowledges recurring difficulties in reconciling its controlled disbursement bank account to the general ledger. The University has isolated the causes of bank reconciliation difficulties. The University was able to reconcile the mentioned account beginning in January 2009.

Conclusion – Response accepted.

- (5) Capital Assets – The University's policy requires assets be tagged within sixty days of being placed into service. A number of assets were tagged at the time the asset had been added to the capital assets listing rather than when they were placed into service more than sixty days earlier. Additionally, capital assets are not always valued at cost when assets are traded for another asset.

Recommendation – To provide for proper identification and safeguarding of University capital assets, tags should be affixed to assets on a timely basis. All capital assets should be recorded at cost, which includes the trade-in value of the asset traded, and may result in a gain or loss on disposal of the asset.

Response – The University acknowledges there were a number of capital assets which did not have identification tags placed timely. Procedures have been implemented to ensure tags are affixed on a timely basis and consistent with University policy. Additionally, procedures have been implemented to properly record the gain or loss on disposal of an asset, occurring as the result of a trade-in on the purchase of a new asset, when appropriate.

Conclusion – Response accepted.

- (6) Financial Reporting – A number of capital assets, accounts receivable, prepaid expenses and accounts payable amounts were not properly recorded in the University's financial statements.

Recommendation – The University should implement procedures to ensure all capital assets, accounts receivables, prepaid expenses and accounts payable are properly recorded and included in the University's financial statements.

Response – The University concurs with the auditors findings and recommendations. The University has and will continue to make best efforts to accurately record all transactions in its general ledger system.

Conclusion – Response accepted.

Report of Recommendations to the University of Northern Iowa

June 30, 2008

- (7) Indirect Cost Report – Six instances were noted where individual amounts from the prior Indirect Cost Proposal/Rate report were not updated to the appropriate current year expenditure amounts. In addition, several instances were noted in which there were coding changes resulting in errors to the “allowable indirect expense by pool” (definition of allowable object codes by cost unit) which were not changed on the Indirect Cost Proposal/Rate report.

Recommendation – The University should implement procedures to ensure expenditures are properly recorded and classified on the University’s Indirect Cost Proposal/Rate report.

Response – The University concurs with the auditor's findings and recommendation. The University will establish procedures to have a second staff person trace all dollar values from the general ledger to the indirect cost proposal spreadsheet. These procedures will include a review of all spreadsheet formulas.

Conclusion – Response accepted.

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 the awarding of the contract as required by Chapter 262.34(2) of the Code of Iowa.

Response – The University concurs with the auditor's finding and recommendation. The University has changed its procedures to comply with Chapter 262.34(2) of the Code of Iowa. Upon receipt of the Authorization for Award of Construction Contracts form, Facilities Services 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, 2008

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
Gelu Sherpa, Staff Auditor
Aaron P. Wagner, CPA, Staff Auditor
James R. Wittenwyler, Staff Auditor
Tiffany M. Ainger, Assistant Auditor
Kurt D. Goldsmith, Assistant Auditor
Kelly L. Hilton, Assistant Auditor
Jeana R. Muhlbauer, Assistant Auditor

University of Northern Iowa

Cost per Student
(Unaudited)

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

| | | |
|--|--------------|-------------------|
| Total General Educational Fund expenditures (expressed in thousands) | | \$ 143,263 |
| Deduct: | | |
| Expenditures not related to teaching programs: (expressed in thousands) | | |
| Research separately budgeted | \$ 628 | |
| Extension and public service | 1,905 | |
| Student aid | <u>9,845</u> | <u>12,378</u> |
| Net disbursements for teaching programs | | <u>\$ 130,885</u> |
| Full-time equivalent enrollment 2007-2008 | | <u>10,979</u> |
| Cost per student 2007-2008 | | <u>\$ 11,921</u> |

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

| Year | Enrollment | Cost per Student |
|-----------|------------|------------------|
| 2007-2008 | 10,979 | \$ 11,921 |
| 2006-2007 | 10,783 | 11,580 |
| 2005-2006 | 10,969 | 11,006 |
| 2004-2005 | 11,351 | 10,242 |
| 2003-2004 | 11,477 | 9,947 |