



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

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NEWS RELEASE

FOR RELEASE _____ August 16, 2016

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released a report on Iowa State University of Science and Technology, Ames, Iowa for the year ended June 30, 2015. Iowa State University of Science and Technology previously released its annual financial report for the year ended June 30, 2015.

Iowa State University of Science and Technology is governed by the Board of Regents. For the year ended June 30, 2015, the full-time equivalent student enrollment was 34,364 with an average cost per student of \$13,453, compared to 33,171 students and an average cost per student of \$12,585 for the year ended June 30, 2014.

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 <https://auditor.iowa.gov/reports/1661-8020-BR00>.

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**REPORT OF RECOMMENDATIONS TO
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

JUNE 30, 2015

Iowa State University of Science and Technology



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August 12, 2016

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

Iowa State University of Science and Technology (Iowa State University or 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, 2015. We have also audited the financial statements of Iowa State University as of and for the year ended June 30, 2015 and have issued our report thereon dated December 11, 2015.

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 relate to the University's internal control and statutory and other matters. 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 included certain unaudited financial and other information on page 8 to report an average cost per student for Iowa State University for the five years ended June 30, 2015, 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 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 7 and they are available to discuss these matters with you.


MARY MOSIMAN, CPA
Auditor of State

cc: Honorable Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2015

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

Financial Reporting – During the audit, we identified a material amount of direct lending receipts and payments misclassified as funds held for others receipts and payments in the University's Statement of Cash Flows. Adjustments were subsequently made by the University to properly classify these amounts in the financial statements.

Recommendation – The University should implement procedures to ensure direct lending receipts and payments are properly recorded in the University's Statement of Cash Flows.

Response – Written procedures have been updated to specifically address the adjustment required to properly classify direct lending receipts and payments on the University's Statement of Cash Flows. In addition, the review checklist used by financial reporting work paper preparers and reviewers has been revised to include additional detective controls.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

Department Cash – Cash is provided to departments for providing research services and other activities. A listing of cash advances by department is maintained by the Controller's Department. At the time of our review, we noted several departments with variances in petty cash which had not been resolved. We also noted not all departments are reconciling petty cash on a monthly basis as recommended by University policy. Also, an independent person is not reviewing the petty cash reconciliations.

Recommendation – The University should ensure petty cash account balances are reconciled monthly and any variances are reviewed and resolved timely. In addition, an independent person should review the petty cash reconciliations and document their review by signing or initialing and dating the reconciliations.

Response – The University will expand and clarify its petty cash procedures to ensure the recommendations for reconciliation and independent review are addressed.

Conclusion – Response accepted.

June 30, 2015

Findings Related to Statutory Requirements and Other Matters:

Theft from Memorial Union Market & Cafe – The Memorial Union Market & Cafe (MU Market) is a small market store located in the Memorial Union which sells beverages, snacks and other sundry items. The MU Market is staffed by students and University staff including a Manager, 2 Assistant Managers and 4 student Assistant Managers. All transactions are recorded in the MU Market’s Enterprise Management Console System (EMC System). The following process is used throughout the day. Steps 1 through 4 are performed for each shift.

1. Each day an Assistant Manager or student Assistant Manager removes 3 drawers from the safe and runs a tape to show the cash drawer totals \$206.00, initials and dates the tape and leaves the tape in the cash drawer. Of the 3 drawers, 2 are for the cash registers and 1 remains in the safe.
2. The shift cashier logs into the point of sale system (POS) using their unique ID. During the day, a manager may help out on a cash register but does not log in to POS with an unique ID. There are 4 shifts each day during the school year.
3. At the end of each shift, each drawer is closed by the student Assistant Manager by running a sales report. The drawer and the sales report are taken to the Assistant Manager who prepares the deposit and ensures the receipts, cash, checks, credit cards, voids and coupons agree with the sales report.
4. The Assistant Manager places the deposit in a locked deposit bag along with all the paperwork. Each deposit is added to a log sheet which includes the date, cashier, the register location and the bag number. The information is then verified by the Manager and the bag is put in the safe.
5. Deposits are picked up by 2 staff from “Food Stores” and transported to the ISU Dining Business Office where it is further processed by staff in the Dining Business Office and deposited to the University’s bank account at Bankers Trust.

On March 25, 2016, the Manager was notified by an Assistant Manager of a concern with voided cash transactions being processed before the MU Market opened. Voids should only occur once the MU Market is open and there typically would be a transaction prior to an authorized void, such as a purchase which is then refunded to the customer or an incorrect price is recorded and needs to be adjusted. For example, if an item is on sale but Kuali still shows the normal price.

As a result of the voided transactions being processed before the MU Market opened, the Manager began an internal investigation and identified additional cash voids processed in March 2016. Based on the internal investigation by the MU Market Manager, the cash voids were processed by the same Assistant Manager before the MU Market opened. By processing a cash void, the Assistant Manager was able to remove cash from the cash drawer for the voided amount. Based on the initial findings, the Assistant Manager was placed on leave on April 14, 2016.

Report of Recommendations to Iowa State University

June 30, 2015

After the Assistant Manager was placed on leave, the Manager continued to investigate the cash voids processed by the Assistant Manager during her shifts. The Manager was able to review cash voids from January 1, 2011 through April 13, 2016. The internal investigation identified a total of \$4,879.37 of cash voids processed by the Assistant Manager under investigation for the period January 1, 2011 through April 13, 2016. The majority of the voids were processed by the Assistant Manager prior to the MU Market being opened. However, the Manager also identified several voids processed by the Assistant Manager after the MU Market was open. These voids were also cash voids and there was no preceding cash transaction. Because the MU Market recreated the EMC System database in January 2011, the Manager was unable to review records prior to January 1, 2011. The Assistant Manager began employment at the MU Market in 1999. The following table includes the voided amount by calendar year.

Period	Number of Voids	Voided Amount
01/01/11 - 12/31/11	42	\$ 184.16
01/01/12 - 12/31/12	26	98.43
01/01/13 - 12/31/13	185	704.25
01/01/14 - 12/31/14	269	1,307.30
01/01/15 - 12/31/15	429	2,090.06
01/01/16 - 04/13/16	106	495.17
Total	1,057	\$ 4,879.37

Based on the findings of the internal investigation, the Assistant Manager was terminated from the University and was charged by the University Police with on-going criminal conduct, theft 3rd degree, and theft 5th degree. The Assistant Manager pled guilty to theft 3rd degree and theft 5th degree on July 5, 2016. The on-going criminal conduct charge was subsequently dismissed. The Assistant Manager received a deferred judgement, assessed a fine and a restitution hearing has been set for a later date. No further investigation was considered necessary.

Report of Recommendations to Iowa State University

June 30, 2015

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Manager
Janet K. Mortvedt, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Ashley J. Moser, Senior Auditor
Leanna J. Showman, Senior Auditor
Christian E. Cottingham, Staff Auditor
Marcus B. Johnson, Staff Auditor
Chad C. Lynch, Staff Auditor
Dan S. Nilsen, Staff Auditor
Jenna M. Paysen, Staff Auditor
Jesse J. Probasco, CPA, Staff Auditor
Ryan P. Swanson, Staff Auditor
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Alex M. Kawamura, Assistant Auditor
Zachary J. Koziolk, Assistant Auditor
Lucas P. Mullen, Assistant Auditor
Mallary A. Sims, Assistant Auditor
Bret S. Gillen, Auditor Intern
Trent B. Huss, Auditor Intern

Report of Recommendations to Iowa State University

Cost per Student
(unaudited)

Year ended June 30, 2015
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 607,553,107
Deduct:		
Expenditures not related to teaching programs:		
General University research	\$ 13,206,102	
Public service	4,214,668	
Scholarships	<u>127,828,813</u>	<u>145,249,583</u>
Net expenditures for teaching programs		<u>\$ 462,303,524</u>
Full-time equivalent enrollment 2014-2015		<u>34,364</u>
Cost per student 2014-2015		<u>\$ 13,453</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2015 and the four previous years:

<u>Year</u>	<u>Enrollment</u>	<u>Cost per Student</u>
2014-2015	34,364	\$13,453
2013-2014	33,171	12,585
2012-2013	31,119	12,661
2011-2012	29,775	12,629
2010-2011	28,631	12,264