



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 9, 2003 _____ Contact: Andy Nielsen
515/281-5515

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, 2002. Iowa State University of Science and Technology previously released its annual financial report for the year ended June 30, 2002.

Iowa State University of Science and Technology is governed by the Board of Regents. For the year ended June 30, 2002, the full-time equivalent student enrollment was 26,403 with an average cost per student of \$10,401 as compared to 25,299 students and an average cost of \$10,550 for the year ended June 30, 2001.

The University had total revenues of \$745,061,432 for the year ended June 30, 2002. The revenues included tuition and fees of \$111,754,827 (net of scholarship allowances of \$27,958,518), \$259,648,209 from state appropriations, \$115,271,254 from federal appropriations, grants and contracts and sales and services of auxiliary enterprises of \$97,157,708, (net of scholarship allowances of \$2,317,818).

For the year ended June 30, 2002, the University had total expenses of \$694,073,383, and included \$162,667,388 for instruction, \$138,726,619 for research, \$62,842,195 for public service, \$47,276,326 for depreciation, and \$86,003,194 for auxiliary enterprises. In addition, \$26,073,340 was expended for principal and interest on capital debt and leases.

A copy of the report is available for review from Iowa State University of Science and Technology or in the Office of Auditor of State.

#

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

JUNE 30, 2002

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

June 27, 2003

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

Iowa State University of Science and Technology 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, 2002. We have also audited the financial statements of the University as of and for the year ended June 30, 2002 and have issued our report thereon dated December 18, 2002.

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. The recommendations include those which have been reported within the State's Single Audit Report as well as other recommendations pertaining to the University's internal control, compliance with statutory requirements and other matters which we believe you should be aware of. These recommendations have been discussed with University personnel, and their responses to these recommendations are included in this report.

In accordance with Section 11.28 of the Code of Iowa, we have also included unaudited financial and other information for the University on page 8 for the six years ended June 30, 2002.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Iowa State University of Science and Technology, citizens of the State of Iowa and other parties to whom Iowa State University of Science and Technology 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 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 Thomas J. Vilsack, Governor
Cynthia P. Eisenhauer, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to Iowa State University

June 30, 2002

Finding Reported in the State's Single Audit Report:

CFDA Number: 84.007 – Federal Supplemental Educational Opportunity Grants

Agency Number: P007A011440

Federal Award Year: 2002

CFDA Number: 84.033 – Federal Work-Study Program

Agency Number: P033A981440

Federal Award Year: 2002

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

Agency Number: P038A71440

Federal Award Year: 2002

State of Iowa Single Audit Report Comment 02-III-USDE-620-1

Fiscal Operations Report – The University must submit a Fiscal Operations Report and Application to Participate (FISAP) annually to the U.S. Department of Education. Details of an error noted in the amounts reported from the fiscal year 2002 report follows:

Part II, Section E, line 24 of the FISAP incorrectly included the IMAGES grants. The IMAGES grants should not have been included on this line since this grant is not matching funds for the LEAP or SLEAP program and the award recipient is determined by the institution. Total State grants and scholarships made to undergraduate students for the Award Year July 1, 2001 to June 30, 2002 were overstated by \$733,274.

Recommendation – The University should develop procedures to ensure that the information on the annual report is accurate.

Response and Corrective Action Planned – Based on a review of the on-line rules for the FISAP, it was agreed that Images was included in error. The necessary written documentation has been made detailing the error, and the corresponding FISAP rule. Both of these items have been filed in with the 2001-2002 FISAP report and all supporting information pertaining to the production of the report. As is a common quality control practice within our office, when the 2002-2003 FISAP is in process, all documentation from the preceding year is reviewed to identify any gaps or questions that may arise in dollar totals from year to year. At the time of the year-to-year review, the documentation pertaining to the reporting of State dollars will be taken into consideration. This same documentation will also be a reminder to confirm that on-line rules have been reviewed and verified as followed.

Conclusion – Response accepted.

Report of Recommendations to Iowa State University

June 30, 2002

Finding Related to Internal Control:

Authorized Check Signatures – Departments of the University are allowed to set up bank accounts for special projects after approval from the Treasurer's Office. Authorized check signers should be included on the bank signature card. For two departmental accounts, the bank signature cards included former employees as authorized signers.

Recommendation – The Treasurer's Office should work with the departments to ensure that bank signature cards are appropriately updated.

Response – The Treasurer's Office will send an annual letter to each department requesting they review and update all bank signature cards.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

- (1) Capital Assets – The University acquires and maintains equipment for research, teaching and administrative purposes. University Office Procedures Guide (OPG) section 10.3(5) requires that an identification tag be placed on each equipment item with an acquisition value of more than \$2,000. Five of 60 current year equipment purchases tested were not properly tagged.

Recommendation – The University should implement procedures to ensure compliance with University Office Procedures Guide section for equipment purchases.

Response – The University agrees with the Auditor's recommendation and will confirm that the five items of equipment have been tagged. Departments will continue to be reminded of the importance of attaching the tags to newly purchased equipment.

Conclusion – Response accepted.

- (2) Purchases from Conflict of Interest Vendors/Employees – The University Office and Procedures Guide (OPG) 10.3(4) prohibits any employee from selling to Iowa State University, either directly or indirectly, any goods or services in excess of \$1,000 for any one transaction unless the Board of Regents has provided consent. One of the 9 conflict of interest purchase orders tested was from an employee vendor that was not listed as approved by the Board of Regents.

The University OPG and Chapter 68B.3 of the Code of Iowa require that, after approval is obtained, employees may not sell goods or services to the University that have a value in excess of \$2,000 for any one transaction or that have cumulative fiscal year value in excess of \$5,000, unless pursuant to an award or contract let after public notice and competitive bidding. One of the 8 purchase orders selected from the University purchasing department report of dollars spent with approved conflict of interest vendors lacked competitive bidding documentation.

Recommendation – The University should enforce the procedures that monitor compliance with the Code of Iowa and OPG.

Report of Recommendations to Iowa State University

June 30, 2002

Response – The University is diligent in monitoring compliance with conflict of interest regulations. The two situations noted were isolated incidents and are not indicative of the control environment in place at the University.

Conclusion – Response acknowledged.

- (3) Iowa Code Compliance – The University was not in compliance with the following sections of the Code of Iowa during fiscal year 2002:

- (a) Livestock Producers Assistance Program – The University is required by section 266.39D of the Code to establish and administer a livestock producers assistance program to provide on-site assistance to persons involved in livestock production to increase the efficiency, productivity, and profitability of their operations. The program is required, to every extent practicable, to be supported by non-state moneys.

The program no longer exists at the University.

- (b) Meat Export Research Center – Section 266.31 of the Code requires the Board of Regents to maintain a meat export research center at Ames, in connection with the agricultural experiment station at Iowa State University. The center is to research technological, economic and other factors involved in improving the performance of Iowa products in the meat export market.

The center no longer exists at the University. The programs and functions appear to have been distributed among related academic departments and centers.

Recommendation – The University should take the necessary steps to comply with the Code of Iowa or the University should seek the repeal of outdated Code sections.

Response – These code sections need to be removed. The University was successful in having two of the three outdated code sections identified last year removed and will continue to work on having the sections cited above removed.

Conclusion – Response accepted.

Report of Recommendations to Iowa State University

June 30, 2002

Staff:

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager
Patricia King, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Karen L. Brustkern, CPA, Senior Auditor
Gina L. Cunningham, CPA, Senior Auditor
Mark C. Moglestad, CPA, Senior Auditor
Heather B. Allen, Staff Auditor
Jennifer Campbell, CPA, Staff Auditor
Billie Jo Heth, Staff Auditor
Marc D. Johnson, Staff Auditor
Julie J. Lyon, CPA, Staff Auditor
Sarah D. McFadden, CPA, Staff Auditor
Sarah M. Wright, Staff Auditor
Matthew J. Anfinson, Assistant Auditor
Scott P. Boisen, Assistant Auditor
Sheila M. Jensen, Assistant Auditor
Ryan J. Johnson, Assistant Auditor
Jedd D. Moore, Assistant Auditor

Iowa State University of Science and Technology

Cost per Student
(unaudited)

Year ended June 30, 2002
with comparative figures for prior years

Total General Educational Fund expenditures		\$ 318,652,282
Deduct:		
Expenditures not related to teaching programs:		
General University Research	\$14,892,931	
Public Service	6,415,048	
Scholarships	<u>22,725,679</u>	<u>44,033,658</u>
Net expenditures for teaching programs		<u>\$ 274,618,624</u>
Full-time equivalent enrollment 2001-2002		<u>26,403</u>
Cost per student 2001-2002		<u>\$ 10,401</u>

Comparative enrollment statistics and cost per student for the year ended June 30, 2002 and five previous years:

Year	Enrollment	Cost per Student
2001-2002	26,403	\$10,401
2000-2001	25,299	10,550
1999-2000	24,522	10,539
1998-1999	24,033	10,166
1997-1998	23,931	9,672
1996-1997	23,477	9,454