



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

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**NEWS RELEASE**

FOR RELEASE

July 9, 2003

Contact: Andy Nielsen  
515/281-5515

Auditor of State David A. Vaudt today released a report on the State University of Iowa, Iowa City, for the year ended June 30, 2002. The State University of Iowa previously released its annual financial report for the year ended June 30, 2002.

The State University of Iowa is governed by the Board of Regents. For the year ended June 30, 2002, the full-time equivalent student enrollment was 24,824 with an average cost per student of \$15,372 as compared to 24,283 students and an average cost of \$15,535 for the year ended June 30, 2001. The University Hospital served a total of 185,666 patient days at an average daily cost per patient of \$2,516 for the year ended June 30, 2002, as compared to 191,183 patient days at an average daily cost per patient of \$2,345 for the year ended June 30, 2001.

The University had total revenues of \$1,654,386,342 for the year ended June 30, 2002, which included tuition and fees of \$127,509,904 (net of scholarship allowances of \$41,883,824), \$324,286,722 from state appropriations, \$274,951,041 from federal grants and contracts, \$107,509,937 from auxiliary enterprises, and \$540,910,977 from patient services.

The University had total expenses of \$1,557,340,219 for the year ended June 30, 2002, which included \$267,421,192 for instruction, \$243,843,186 for research, \$556,370,125 for patient services, \$95,382,553 for depreciation and \$96,536,830 for auxiliary enterprises. Also, \$58,799,524 was expended for principal and interest on capital debt and leases.

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

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

**JUNE 30, 2002**

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



**David A. Vaudt, CPA**  
**Auditor of State**





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June 30, 2003

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

The State University of 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, 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 20, 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 pertain to the University's internal control and information system controls 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 pages 8 and 9 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 the State University of Iowa, citizens of the State of Iowa and other parties to whom the State University of 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 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 State University of Iowa

June 30, 2002

## **Finding Reported in the State's Single Audit Report:**

No matters were reported.

## **Findings Related to Internal Control:**

- (1) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the draw down /request for federal funds and the disbursement of those funds. They also minimize the amount of University funds that must be used to operate the program until the federal funds are received.

There were several instances where there were excessive positive and negative cash balances during certain periods of fiscal year 2002. The University remits interest to the Federal government when cash balances are positive and loses the opportunity to earn interest when the balances are negative.

Recommendation – The University should develop procedures to ensure that specific federal program needs are determined prior to each draw down. In addition, the University should continually monitor the available cash on hand in order to minimize excessive positive and negative cash balances.

Response – The University follows a fundamental principle established in OMB Circular A-110 requiring each recipient of federal funds to minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance of checks or payment by other means.

It is very difficult to anticipate the funds that will be expended during the month. The expenditures fluctuate by month and the majority of the expenditures flow into accounting during the last working day of the month or the first working day of the next month, so evaluating the cash balance throughout the month can be ineffective if most expenditures post to general ledger at month end.

Currently, the biggest draw down is done for Department of Health and Human Services. This draw down is now done on a weekly basis, for smaller increments. An average is also calculated for the last six months to determine the estimated amount for the month. As an additional check, the daily cash balance can be more closely monitored during the month and amounts drawn at the end of the month can be based on the previous month's salary and facilities and administration expense instead of just the average and spending trends. This can be carried over to the other large draw downs, Department of Education and National Science Foundation.

There is one federal agency, U.S. Department of Defense-Army, that typically maintains a significant positive cash position with the University. This is due to payment schedules that are set up within the individual awards, so the University of Iowa receives the money automatically according to the schedule upon execution of the contract. In this case, we have limited flexibility to minimize these positive cash balances.

In all cases, the University follows all applicable regulations and annually remits interest to the federal government resulting from the net positive daily cash balances in the federal restricted fund.

Conclusion – Response accepted.

June 30, 2002

**Findings Related to Information Systems Controls:**

- (1) System Software Access – Controls over access to and modifications of system software are essential to providing reasonable assurance that operating system-based security controls are not compromised. Update access to system software should be restricted to a very limited number of personnel whose job responsibilities require that they have access. Application programmers and computer operators should not have update access to system software, as this would be incompatible with their assigned responsibilities.

Written policies and procedures restricting access to system software have not been developed. A review of the access rights to the system software indicates that computer operators have update capabilities.

Recommendation – Written policies and procedures should be developed to restrict access to system software. The University should revise the access rights to the system software to delete computer operators' system software update capabilities. The policies and procedures should also be kept up-to-date.

Response – The Help Desk staff has had access rights reviewed and corrected. A similar process is in progress for our operations staff. This particular process is much more difficult since dramatic changes can significantly alter the production control environment. This will be an ongoing project to periodically re-evaluate internal staff access and make necessary adjustments to limit risk and exposure. Access to the primary/main system (SYS1.\*\*, SYS2.\*\*) datasets for operations staff has been evaluated. A document will be forwarded to the Security office indicating access to generic high level qualifiers for system datasets will be under tighter control for all staff and users. This document may need to be combined with other security office documents for clarity and disclosure.

Conclusion – Response accepted.

- (2) Computer Room Access – Physical security controls restrict physical access to computer resources and protect them from intentional or unintentional loss or impairment. Access should be limited to personnel with a legitimate need for access to perform their job duties. Approximately 80 individuals have access to the mainframe computer room, but not all appeared to need the access to perform their job duties.

Recommendation – The University should establish procedures to periodically review the list of individuals with access to the computer room and remove individuals who do not need the access to perform their duties.

Response – Fourteen people were eliminated from the authorized access list last year and the supervisor now has online access to the system. Access can be monitored in real time and the supervisor reviews logs daily. The supervisor periodically reviews the access file for needed changes and keeps copies of requests for additions, changes and deletions. Finally, the supervisor periodically reviews the lists with other supervisors as needed.

Conclusion – Response accepted.

Report of Recommendations to State University of Iowa

June 30, 2002

**Findings Related to Statutory Requirements and Other Matters:**

No matters were reported.



Report of Recommendations to State University of Iowa

June 30, 2002

**Staff:**

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director  
Kay F. Dunn, CPA, Manager  
Gwen D. Fangman, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Ernest H. Ruben, Jr., CPA, Senior Auditor II  
Ted M. Wiegand, CPA, Senior Auditor  
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Kristen E. Harang, CPA, Assistant Auditor  
Brad T. Holtan, Assistant Auditor  
Jake P. Keegan, Assistant Auditor  
Ryan J. Sanger, Assistant Auditor

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State University of Iowa

Cost per Student  
(unaudited)

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

Total General Educational Fund expenditures		\$ 416,132,822
Deduct:		
Expenditures not related to teaching programs:		
Research separately budgeted	\$ 5,948,725	
Extension and public service	5,352,754	
Student aid	<u>23,243,803</u>	<u>34,545,282</u>
Net disbursements for teaching programs		<u>\$ 381,587,540</u>
Full-time equivalent enrollment 2001-2002		<u>24,824</u>
Cost per student 2001-2002		<u>\$ 15,372</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	24,824	\$15,372
2000-2001	24,283	15,535
1999-2000	24,394	14,610
1998-1999	24,490	13,940
1997-1998	24,192	13,263
1996-1997	24,221	12,694

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State University of Iowa  
University Hospital and Clinics

Daily Cost per Patient  
(unaudited)

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

Total University Hospital's expense (excludes other Health Care Units)	\$ 486,316,356
Deduct non-patient expenses:	
Cafeteria and other excludable sales	<u>19,131,958</u>
Net expenses for patient care	<u>\$ 467,184,398</u>
Total patient days 2001-2002	<u>185,666</u>
Daily cost per patient 2001-2002	<u>\$ 2,516</u>

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

Year	Patient Days	Daily Cost per Patient
2001-2002	185,666	\$ 2,516
2000-2001	191,183	2,345
1999-2000	188,524	2,181
1998-1999	189,341	2,032
1997-1998	192,356	1,881
1996-1997	200,058	1,792