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NEWS RELEASE

FOR RELEASE August 6, 2015

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released a report on a review of selected general and application controls over the Iowa State University of Science and Technology (Iowa State University) Kuali Financial System for the period April 30, 2014 through May 28, 2014.

Mosiman recommended Iowa State University implement procedures to ensure all laptop computers and portable storage devices are encrypted and require the initiation and approval of disbursement vouchers be handled by two different individuals.

A copy of the report is available for review at Iowa State University, in the Office of Auditor of State and on the Auditor of State's web site at http://auditor.iowa.gov/reports/1561-8020-BT01.pdf.

# # #

REPORT OF RECOMMENDATIONS TO IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY ON A REVIEW OF SELECTED GENERAL AND APPLICATION CONTROLS OVER THE KUALI FINANCIAL SYSTEM

APRIL 30, 2014 THROUGH MAY 28, 2014

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July 17, 2015

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

In conjunction with our audit of the financial statements of Iowa State University of Science and Technology (Iowa State University) for the year ended June 30, 2014, we conducted an information technology review of selected general and application controls for the period April 30, 2014 through May 28, 2014. Our review focused on the general and application controls of the Kuali Financial System (KFS) 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 information technology controls 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 the Kuali Financial System. 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's responses and, accordingly, we express no opinion on them.

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 review. 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 review of the Kuali Financial System are listed on page 6 and they are available to discuss these matters with you.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins
WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

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

Financial Accounting System Application Controls

A. Background

The Kuali Financial System (KFS) is the Iowa State University (University) financial accounting system which is used to record financial transactions and maintain the general ledger.

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 the Kuali Financial System for the period April 30, 2014 through May 28, 2014. Specifically, we reviewed the general controls: access controls, segregation of duties and configuration management and the application controls: business process controls, including input, output, data management and interface controls. We interviewed University staff 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 controls 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 use our finite review resources to identify where and how improvements can be made. Thus, we devote little effort to reviewing operations which 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 which 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.

General Controls

Encryption – Encryption helps protect sensitive information stored on portable devices by rendering data unintelligible to unauthorized users. Policies have been established and are awaiting final approval. Encryption software is now installed on new laptops but has not been installed on all laptop computers and portable storage devices which could store sensitive information. Portable devices, including laptop computers and USB drives, present a risk to the University until they are encrypted.

Recommendation – University policies should be implemented to ensure all portable devices are encrypted rather than relying on individual users to protect sensitive information.

Response – The University is modifying existing standards for data protection to require encryption of portable devices that store sensitive data. ISU encrypts new laptops prior to deployment. Existing laptops are scheduled to be encrypted by 31 December 2015.

Conclusion – Response accepted.

Application Controls

Disbursement Voucher Approval – A fiscal officer or delegate can both initiate and approve a single disbursement voucher payment without a separate review or approval. Segregation of duties helps to ensure data entered is complete, accurate and valid.

Recommendation – The University should require the initiation and approval of disbursement vouchers be handled by two different individuals.

Response - The University implemented a customization to the Kuali Financial System for disbursement vouchers that requires the initiator and approver to be two distinct individuals. This enhancement went into production in August, 2014.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

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