

# Board Policy Manual

## 2.2 Business Procedures

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### 1. Audit Activities

- A. The Board of Regents, through its Audit/Compliance and Investment Committee, expects to enhance accountability and fulfill its audit oversight responsibility by:
  - i. Reviewing all external financial, bond-specific, and other audit reports conducted on the Regents office and any part of its institutions and Regent- associated regional study centers.
  - ii. Reviewing the annual audit plans proposed by the Board’s Chief Audit Executive.
  - iii. Reviewing all reports prepared by internal auditors of the Regent institutions.
  - iv. Encouraging continued evaluation, improvement, and adherence to all Board and institutional policies, procedures, and practices at all levels.
  - v. Encouraging an open avenue of communication among the independent auditors, financial and senior management, internal auditors, Committee, and Board of Regents.
  - vi. Reporting to the Board of Regents regularly regarding the execution of the Committee’s duties and responsibilities.
- B. External Audits
  - i. State Audits
    - a. As established by law, the auditor of state shall annually make a complete audit of the

books and accounts of every department of the state, the educational institutions, and audit testing of the Board's investments. ([Iowa Code §11.2](#))

Each department and institution of the state shall keep its records and accounts in such form and by such methods as to be able to exhibit in its reports the matters required by the auditor of state, unless otherwise specifically prescribed by law. ([Iowa Code §11.5](#))

- b. The institutions will send all draft state audit comments, recommendations, and responses to the Board Office for approval before they are submitted to the State Auditor's Office.
  - c. A copy of all state audits related to a Regent institution shall be, upon completion, sent to the Board Office for docketing on the Audit/Compliance and Investment Committee agenda.
  - d. The Regent institutions and/or Board Office shall immediately notify the Auditor of State regarding any suspected embezzlement or significant financial irregularities in accord with [Iowa Code §11.2\(2\)](#).
  - e. The State Auditor's Office or the Audit/Compliance and Investment Committee may request a discussion of financial and audit related issues.
- ii. General Provisions
- a. For audit services other than statutorily required from the Auditor of State, the institutions are to select external auditors through a competitive Request for Proposal (RFP) process in accordance with the Board's policies on professional services contracts in the Purchasing section of this Chapter. Competitive RFP process shall occur every five years.
  - b. All external audit firms must be currently and appropriately licensed and have a current permit to practice as a Certified Public Accounting firm in the state of Iowa.
  - c. Audit managers for each engagement must be rotated at least every five years.
  - d. Institutions must comply with all state, Board, and institutional conflict of interest policies.
  - e. External auditors for an institution are restricted from providing any of the following services for that institution:
    - 1) Bookkeeping or other services related to the accounting records or financial statements of the institution
    - 2) Financial information systems design and implementation
    - 3) Appraisal or valuation services, fairness opinions, or contribution-in-kind

reports

- 4) Actuarial services
  - 5) Internal auditing outsourcing services
  - 6) Management functions or human resources
  - 7) Broker or dealer, investment advisor, or investment banking services
  - 8) Legal services and expert services unrelated to the audit
  - 9) Any other service that the Board determines is impermissible
- f. Any exceptions to the restrictions above must be approved by the Audit/Compliance and Investment Committee prior to the performance of the proposed services, unless the aggregate amount of all such non-audit services provided to the institution constitutes less than 5 percent of the total amount paid by the institution to its auditor during the fiscal year in which the non-audit services are provided. Each institution is responsible for notifying the Board Office of all such non-audit services received under this exception.
- g. Institutions should carefully consider and document the benefits and risks of employing an individual who has worked for the auditing firm within the previous year and consider how the position may relate to the institution's external audit.

### iii. Hospital Audits

- a. The University of Iowa Hospitals and Clinics will arrange for an annual external audit of hospital accounts, in accordance with the general provisions of subsection 2 and shall submit, upon completion, a copy of the audit and management letter to be docketed on the Audit/Compliance and Investment Committee agenda.
- b. The UIHC external auditor may request to discuss financial and audit related issues with the Audit/Compliance and Investment Committee
- c. The Audit/Compliance and Investment Committee may request the UIHC external auditor to discuss financial and audit related issues with the Committee.

### iv. Other External Audits

- a. Copies of all external audits conducted on a Regent institution or regional study center shall be submitted, upon completion, to the Board Office for docketing on the Audit/Compliance and Investment Committee's agenda.
- b. External auditors or the Audit/Compliance and Investment Committee may request a discussion of financial and audit related issues.

## v. Internal Audits

- a. Objective and Scope. The objective of internal auditing is to assist the Board of Regents and institutional administrators in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The attainment of this objective involves such activities as:
  - 1) Reviewing and appraising the soundness, adequacy and application of accounting, administrative and other operating controls, and promoting effective control at reasonable cost.
  - 2) Ascertaining the extent of compliance with established policies, plans and procedures.
  - 3) Ascertaining the extent to which assets are accounted for and safeguarded from losses of all kinds. Ascertaining the reliability of management data developed within the organization.
  - 4) Conducting special examinations and reviews at the request of the Audit/Compliance and Investment Committee, the Board of Regents or institutional heads.
  - 5) Evaluating the economy and efficiency with which resources are employed and recommending improvements in operations, including reviews of administrative and support services with the objective of reducing operating costs.
- b. Authority. The internal audit staffs are authorized by the Board of Regents to conduct a comprehensive program of internal auditing. To accomplish their objectives, the internal auditors are authorized to have unrestricted access to university functions, records, properties and personnel.
- c. Reporting. Audit activities related to the offices of President and Superintendent are to be reported directly to the President of the Board of Regents. The ultimate reporting responsibility of internal auditors is to the Audit/Compliance and Investment Committee.
- d. Annual Report. Each year, the Board's Chief Audit Executive will develop and execute a comprehensive audit plan to be conducted in accordance with applicable professional auditing standards. A comprehensive report on the internal audit function will be made to the Board through the Audit/Compliance and Investment Committee each year and will include:
  - 1) An annual audit plan containing:
    - Methods for audit focuses, including internal control evaluation and risk assessment.
    - High-risk areas routinely included in the internal audit cycle.
    - Administrative and support services review.
    - Cooperative plans among Regent University internal audit departments.

- Internal audits planned for the special schools
  - 2) Review of all previous fiscal year audits completed and in progress, including any follow-up reviews;
  - 3) Any audits which were scheduled but not completed; and
  - 4) A list of all audits completed within the last three fiscal years.
- e. A copy of each internal audit report and follow-up review, upon its completion, will be sent to the Board Office for docketing on the Audit/Compliance and Investment Committee agenda.
- f. Any activity which is illegal or the legality of which is questioned by the audit staff (e.g. conflict of interest, embezzlement or theft) shall be reported to the appropriate institutional administrator or President of the Board immediately upon discovery by audit staff. The Auditor of State and other appropriate authorities should also be notified.
- g. In the performance of their functions, internal audit staff will have neither direct responsibility for, nor authority over, any of the activities and operations reviewed.
- h. Internal auditors may request to discuss financial and audit related issues with the Audit/Compliance and Investment Committee.
- i. The Audit/Compliance and Investment Committee may request the internal auditors to discuss financial and audit related issues with the Committee.