



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ June 23, 2003 _____

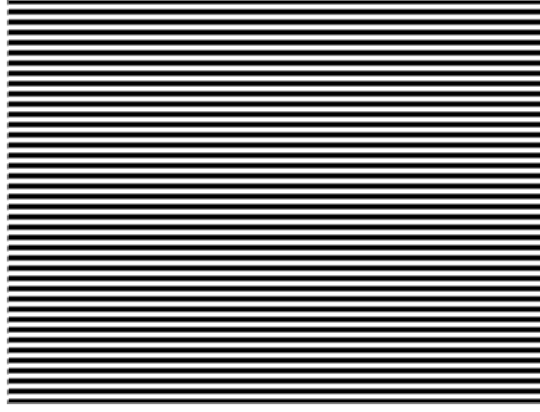
Contact: Andy Nielsen
515/281-5515

Auditor of State David A. Vaudt today released a report on the Iowa Department of Revenue and Finance for the year ended June 30, 2002.

The Department collects taxes and fees imposed by the General Assembly, enforces state revenue statutes to assure taxpayer compliance, apportions revenue collections for distribution to various state funds and local governments, processes payroll and performs central accounting functions.

A copy of the report is available for review in the Iowa Department of Revenue and Finance or the office of the Auditor of State.

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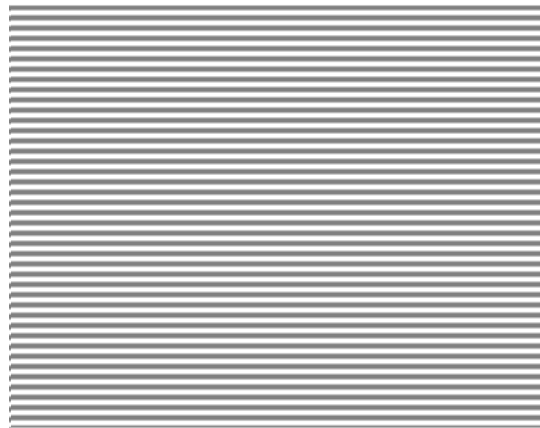
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF REVENUE AND FINANCE**

JUNE 30, 2002

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



David A. Vaudt, CPA
Auditor of State



0360-6250-0000



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June 16, 2003

To Michael Ralston, Director of the
Iowa Department of Revenue and Finance:

The Iowa Department of Revenue and Finance 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.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on page 5. The recommendations pertain to the Department's internal control, which we believe you should be aware of. These recommendations have been discussed with Department personnel, and their responses to the recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Revenue and Finance, citizens of the State of Iowa and other parties to whom the Iowa Department of Revenue and Finance 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 Department 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 Department are listed on page 6 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

Iowa Department of Revenue and Finance

Report of Recommendations to the
Iowa Department of Revenue and Finance

June 30, 2002

Findings Reported in the State's Single Audit Report:

No matters were reported.

Finding Related to Internal Control:

1. Central Collections Bank Reconciliation – Although monthly bank reconciliations were performed, variances between the book balance and the bank balance were not investigated and resolved.

Recommendation – The Department should investigate and resolve the variances in a timely manner.

Response – The Department agrees with the Auditor's comment. The Department has been reconciling the checking account on a monthly basis but has consistently carried a balance of \$403.83 forward each month. Although attempts have been made to identify where these funds should be credited, the efforts have been unsuccessful. We will direct that a check be issued to deposit these funds in the State General Fund. In the future, variances between the book and bank balances will be investigated and resolved in a timely manner.

Conclusion – Response accepted.

2. Receipts – A restrictive endorsement was not placed on checks upon receipt by the mail opener in the Accounting Bureau.

Recommendation – A restrictive endorsement should be placed on all checks when received to help provide protection in case of theft or loss.

Response – A restrictive endorsement stamp has been obtained by the bureau and all checks processed are being endorsed when the mail is opened. The stamp is restrictive to a State of Iowa deposit (not just Iowa Department of Revenue and Finance) since the bureau receives numerous checks that are forwarded on to other departments of the State for final processing and deposit.

Conclusion – Response accepted.

3. Use Tax – Beginning in January 2002, the Department established a reconciliation process to review UT-510 forms submitted by counties and ensure that tax-exempt transactions reported to the Iowa Department of Revenue and Finance agree with transactions reported to the Iowa Department of Transportation.

Recommendation – The Department should continue to reconcile information submitted from the Department of Transportation to information submitted by counties.

Response – The Department agrees with the Auditor's comment. The process initiated in January 2002 to ensure counties submit the required information to the Department and to reconcile the submitted information to Department of Transportation information is ongoing.

Conclusion – Response accepted.

Iowa Department of Revenue and Finance

Schedule of Findings

June 30, 2002

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Jennifer Campbell, CPA, Staff Auditor
Daniel L. Durbin, CPA, Staff Auditor
Sarah D. McFadden, Staff Auditor
Erin M. Scharringson, Staff Auditor
Elvir Alicic, Assistant Auditor
Jeff M. Evans, Assistant Auditor
Jedd D. Moore, Assistant Auditor