



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

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NEWS RELEASE

FOR RELEASE \_\_\_\_\_ September 2, 2003 \_\_\_\_\_

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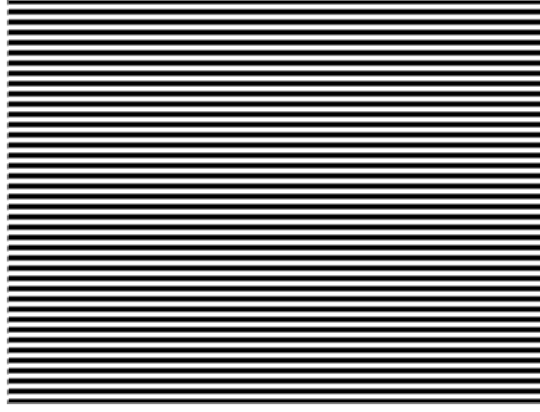
Auditor of State David A. Vaudt today released a report on the Iowa Department of Cultural Affairs for the year ended June 30, 2002.

The Department has primary responsibility for development of the state's interest in arts, history and other cultural matters.

Vaudt recommended that the Department take steps to improve controls over cash collections at the State Historical Society libraries. In addition, Vaudt recommended that the Department follow the formal application and approval process for issuing state grants to eligible applicants for projects to preserve and educate the public about historical resources.

A copy of the report is available for review at the Iowa Department of Cultural Affairs or the Office of Auditor of State.

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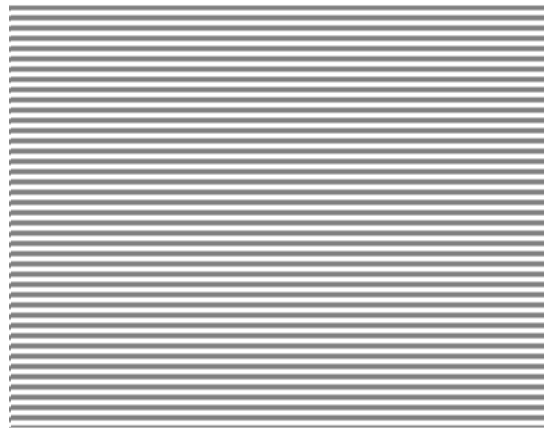
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF CULTURAL AFFAIRS**

**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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August 25, 2003

To Anita Walker, Director of the  
Iowa Department of Cultural Affairs:

The Iowa Department of Cultural Affairs 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 the following pages. The recommendations pertain to the Department's internal control and compliance with statutory requirements and other matters which we believe you should be aware of. These recommendations have been discussed with Department personnel, and their responses to these 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 Department, citizens of the State of Iowa and other parties to whom the Department 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

June 30, 2002

**Findings Reported in the State's Single Audit Report:**

No matters were reported.

**Findings Related to Internal Control:**

Cash Collections at the State Historical Society Libraries – An important aspect of internal control is the establishment of policies and procedures that provide for accountability over assets which are susceptible to loss from errors and irregularities. At the Iowa City State Historical Society Library, deposits are only made once a month. At the Des Moines Historical Society Library, deposits are made once a week, but checks may be initially received at the Archives office in the New Historical Building and held in that office before being delivered to the library.

In addition, the initial receipts listing is not reconciled to the amounts recorded and deposited or reviewed by an independent person at the Iowa City facility.

Recommendation – The Department should deposit cash at least weekly and ensure that checks received in other offices in the building are delivered to the library timely so they can be included as part of the regular weekly deposit. Also, an independent person should reconcile the initial receipts listing at the Iowa City facility to the amounts recorded and deposited.

Response – Staff in the Iowa City facility has devoted time to eliminate a backlog of work. This should allow them to make deposits on a weekly basis. We have also assigned an additional employee to assist with the cash receipts. This should prevent future backlogs and provide a necessary separation of duties.

Conclusion – Response accepted.

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

Historical Resource Development Program Emergency Grant – The Department administers the historical resource development program (HRDP) established by Section 303.16 of the Code of Iowa. Grants to preserve, conserve, interpret, educate the public about and enhance the historical resources of the state are provided through appropriations made available from the REAP program. Iowa Administrative Code 223, Chapter 49 discusses the availability of annual and emergency REAP/HRDP grants, with separate and specific application and selection processes.

The annual grant process begins with submission of a current REAP/HRDP annual application by January 15 for each project to be funded during the next fiscal year. A separate emergency grant can be provided at any time during the year when there is a threat to a historical resource and timely action is required to prevent immediate loss of the resource.

The emergency grant process begins with submission of a specific REAP/HRDP emergency grant application that addresses the immediacy of the emergency and identifies steps needed to stabilize the resource until a rehabilitation, restoration or recovery plan can be implemented. A steering committee reviews the application to determine if an emergency exists and then critiques and scores the application with special emphasis on the degree and immediacy of the threat to the resource. The recommendation from the steering committee is sent to the Administrator, who then responds to the applicant. Emergency grants are funded on a first come, first served basis after approval. If a project is determined not to be an emergency, it will not be funded and the applicant can apply using the annual grant process.

Report of Recommendations to the Iowa Department of Cultural Affairs

June 30, 2002

One of the five REAP/HRDP emergency grants selected for testing did not follow the established application and review process for emergency grants. An application for project number 02-007(E) Refurbish Sherman Tank requesting \$2,725 was initially reviewed and approved for fiscal year 2003 funding under the annual grant guidelines. Subsequently, the initial project number changed from fiscal year 2003 annual grant number 03-062 to fiscal year 2002 emergency grant number 02-007(E), although the project file lacked proper documentation of an evaluation for emergency funding. A REAP/HRDP emergency grant application was not available and a steering committee review, critique, and scoring to determine the seriousness of the grant request was not performed. This project appears to have been inappropriately funded with fiscal year 2002 emergency grant funding.

Recommendation – The Department should adhere to the specific application and selection processes for annual and emergency grants as outlined in the Iowa Administrative Code. In addition, the Department should establish procedures to properly monitor the funding of each project application and preclude non-emergency projects from being funded with emergency grant funding.

Response – The grant in question was to have been funded from the FY03 appropriation. Due to extenuating circumstances, this grant recipient had incurred expenses for the project prior to the Department learning that FY03 funds were not forthcoming. The grant was switched to emergency status since no other means existed to accommodate this situation. The Department will review existing rules for the program to ensure future compliance and also to determine if any changes are needed.

Conclusion – Response acknowledged. Had the appropriate process for emergency grants been followed, the above referenced project would not have been funded. In the future, the Department should adhere to the existing rules and administer all project applications equitably.

Report of Recommendations to the Iowa Department of Cultural Affairs

June 30, 2002

**Staff:**

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager  
Tammy L. Mason, CPA, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Natalie J. Storm, CPA, Staff Auditor  
Gary D. Van Lengen, CPA, Staff Auditor  
Scott D. Bantz, Assistant Auditor