



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

July 10, 2003

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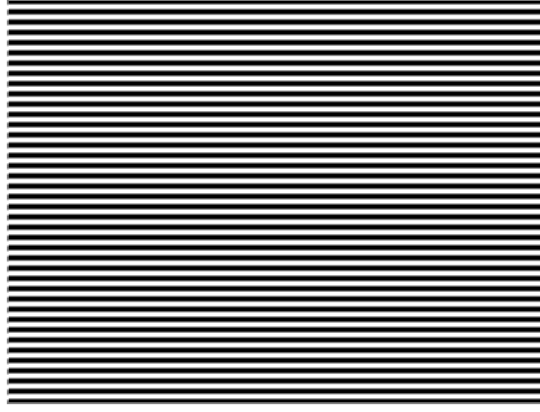
Auditor of State David A. Vaudt today released a report on the Iowa Department of Human Rights for the year ended June 30, 2002.

The Department's purpose is to promote opportunities, advocate the rights, improve the conditions of poverty and to study the changing needs and problems of all Iowans.

Vaudt recommended improvements in cash management and subrecipient monitoring. Vaudt also recommended that the Department ensure compliance with the Code of Iowa regarding council and commission meeting attendance and reporting the use of unencumbered funds to the appropriate committees and departments.

A copy of the report is available for review in the Iowa Department of Human Rights or the office of Auditor of State.

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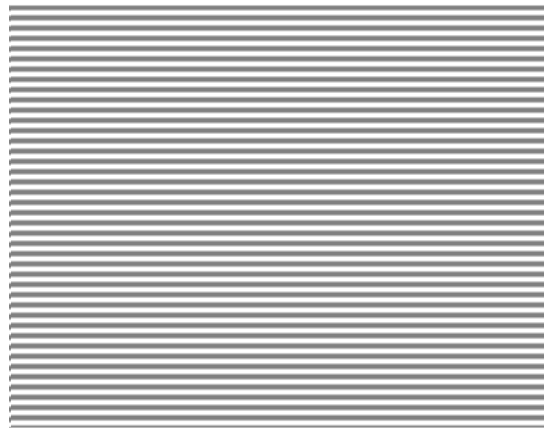
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF HUMAN RIGHTS**

JUNE 30, 2002

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



David A. Vaudt, CPA
Auditor of State



0360-3790-0000



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June 30, 2003

To Dr. Ruth White, Director of the Iowa
Department of Human Rights:

The Iowa Department of Human Rights 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 include those which have been reported within the State's Single Audit Report, as well as other recommendations pertaining to the Department's 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 Iowa Department of Human Rights, citizens of the State of Iowa and other parties to whom the Iowa Department of Human Rights 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 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 8 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:

CFDA Number 93.568: Low-Income Home Energy Assistance

Agency Number: G01B1IALIEA, G02B1IALIEA

Federal Award Year: 2001, 2002

State of Iowa Single Audit Report Comment: 02-III-HHS-379-5

- (1) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. As stated in the Cash Management Improvement Act (CMIA) Agreement, the LIHEAP program is funded on a pre-issuance basis. This means that federal draws are not deposited more than two days prior to the date of disbursement.

For four of twenty-two drawdowns tested, the time between transfer of funds from the U.S. Treasury and disbursement by the grantee was not within two days. The draws ranged from \$233,741 to \$1,711,990 and the days to spend ranged from three to six working days.

From August 22, 2001 to November 6, 2001 a balance ranging from \$87,564 to \$1,549,670 was carried.

Recommendation – The Department should develop and implement procedures to ensure that federal funds are drawn in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive or negative daily balances.

Response and Corrective Action Planned – During the time period noted in the comment by the auditors, the Department was training a staff member to assume the new duty of drawing down and monitoring federal funds for disbursement. After the excessive balance on hand was discovered, the problem was corrected and our Department was in compliance for the balance of the year.

The Department will continue to closely monitor our cash management procedures to ensure compliance with federal guidelines, and will adjust subsequent drawdowns when excessive funds are on hand.

Conclusion – Response accepted.

June 30, 2002

CFDA Number 93.568: Low-Income Home Energy Assistance

Agency Number: G01B1IALIEA, G02B1IALIEA

Federal Award Year: 2001, 2002

State of Iowa Single Audit Report Comment: 02-III-HHS-379-6

- (2) Subrecipient Cash Management – The Common Rule requires grantees to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantee whenever advance payment procedures are used. Grantees are to monitor the cash drawdowns by their subgrantees to assure that they conform to the same standards.

The Department's procedures require subrecipient community action agencies (CAAs) to submit monthly cash reports based on their actual and estimated expenditures. The Department monitors advances and payment requests to the 18 CAAs.

We reviewed a total of 57 monthly cash reports for LIHEAP and for the Home Energy Assistance Program (HEAP) for this requirement. For six of the cash reports reviewed from the LIHEAP program, the month end cash balances were not expended within the next month.

Recommendation – The Department should continue to closely monitor their cash management procedures to ensure compliance with federal guidelines.

Response and Corrective Action Planned – Subrecipient agencies are required to submit monthly cash reports based on actual and estimated expenditures, and the Bureau monitors all advances and payment requests to determine excess funds. Historically, it has been difficult to project costs for November, December, and January. Climatic conditions and the price of fuel impact the estimated and actual numbers significantly.

Staff will review feasibility of using interim reports during those months, or other payment options, to be compliant with cash management requirements. LIHEAP staff will conduct on-site monitoring visits of each site annually and specifically address the issue of excess funds. LIHEAP has implemented a policy that requires agencies to return excess funds when identified.

The Department will continue to closely monitor cash management procedures to ensure compliance with federal guidelines. Progress has been made in this area this year. Of the 54 monthly subrecipient cash reports for LIHEAP examined by the state auditors last year, 19 showed excessive fund on hand. This year only six of 57 reports showed excessive funds on hand.

Conclusion – Response accepted.

June 30, 2002

CFDA Number: 93.568 – Low-Income Home Energy Assistance
Agency Number: G01B1IALIEA, G02B1IALIEA
Federal Award Year: 2001, 2002

CFDA Number: 93.569 – Community Services Block Grant
Agency Number: G01B1IACOSR, G02B1IACOSR
Federal Award Year: 2001, 2002
State of Iowa Single Audit Report Comment: 02-III-HHS-379-7

- (3) Subrecipient Monitoring – OMB Circular A-133 Subpart D .400 (d)(1) states that a pass-through entity is responsible to inform each subrecipient of the CFDA title and number, award name and number, award year, and the name of the Federal agency. The Department did not notify subrecipients of the CFDA title and number on its Low-Income Home Energy Assistance and Community Services Block Grant awards.

Recommendation – The Department should develop and implement procedures to ensure that all subrecipients are notified of the CFDA title and number for each award.

Response and Corrective Action Planned – The Department has responded appropriately in the past to all inquiries from subrecipients and their auditors regarding the appropriate CFDA titles and numbers for the two grant programs listed above. However, Department staff has been instructed to include the applicable CFDA titles and numbers, award names and numbers, and name of the Federal agency in every subrecipient contract.

Conclusion – Response accepted.

Findings Related to Internal Control:

No matters were reported.

Findings Related to Statutory Requirements and Other Matters:

- (1) Commission and Council Meetings – The Iowa Department of Human Rights includes eight councils and commissions established under Chapter 216A of the Code of Iowa.

Chapter 69.15 of the Code of Iowa states that a person appointed to a commission is deemed to have submitted a resignation from office if they do not attend three or more consecutive meetings, or if they attend less than one-half of the regular meetings within twelve calendar months beginning on July 1.

The Commission of Latino Affairs, the Juvenile Justice Advisory Council, the Criminal and Juvenile Justice Planning Advisory Council, and the Commission of Persons with Disabilities had members who did not comply with the attendance requirements of Chapter 69.15 of the Code of Iowa.

Report of Recommendations to the Iowa Department of Human Rights

June 30, 2002

Recommendation – The Department should continue its efforts to encourage member attendance.

Response – The Department does encourage commission member attendance. Teleconferencing, using ICN sites, scheduling meetings on weekends and evenings, and utilizing various locations around the state are just four of the methods the divisions have tried.

However, if a commissioner/council member has not attended three or more consecutive meetings and thus has been deemed to have submitted a resignation from office, the appropriate Department of Human Rights division will send a memo to the Governor’s Office apprising them of the situation. The Department of Human Rights does not have statutory authority to tender these resignations.

Conclusion – Response accepted.

- (2) Report on Encumbered Funds – Chapter 8.62(3) of the Code of Iowa requires that, on or before June 30 of the fiscal year following the fiscal year in which funds were encumbered, an agency encumbering funds shall report to the joint appropriations subcommittee which recommends funding for the agency, the Legislative Fiscal Bureau, the Department of Management, and the Legislative Fiscal Committee of the Legislative Council detailing how the moneys were expended.

The Department did not submit the required report for fiscal 2001 encumbered funds prior to June 30, 2002.

Recommendation – The Department should implement procedures to ensure that the report required by Chapter 8.62(3) of the Code of Iowa is submitted timely as required.

Response – Beginning in FY03, state departments stopped receiving these prior year carryover funds for “Training and Technology”. The same is true for FY04, so it will not be necessary for DHR to file these reports.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Rights

June 30, 2002

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Manager
Brian R. Brustkern, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

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Kelly V. Rea, CPA, Staff Auditor
Erin M. Scharingson, CPA, Assistant Auditor
Kristen E. Harang, CPA, Assistant Auditor
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