



OFFICE OF AUDITOR OF STATE
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NEWS RELEASE

FOR RELEASE _____ July 15, 2011

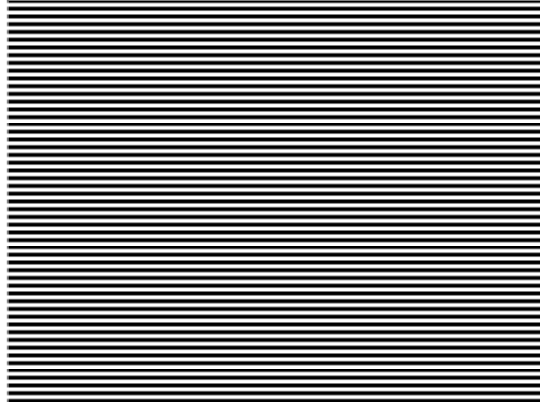
Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Public Defense for the year ended June 30, 2010.

The Iowa Department of Public Defense is composed of the Military Division and the Homeland Security and Emergency Management Division. The main responsibilities of the Military Division are to protect the citizens of the state, recruit and train military personnel and maintain the National Guard armories throughout the state. The Homeland Security and Emergency Management Division is responsible for disaster preparedness and relief coordination throughout the state.

A copy of the report is available for review at the Iowa Department of Public Defense, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1160-5820-0R00.pdf>.

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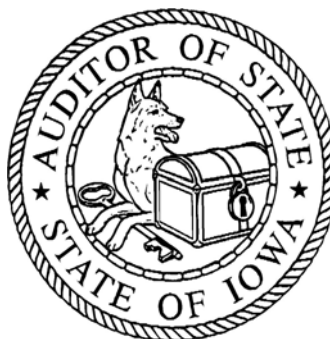


**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF PUBLIC DEFENSE**

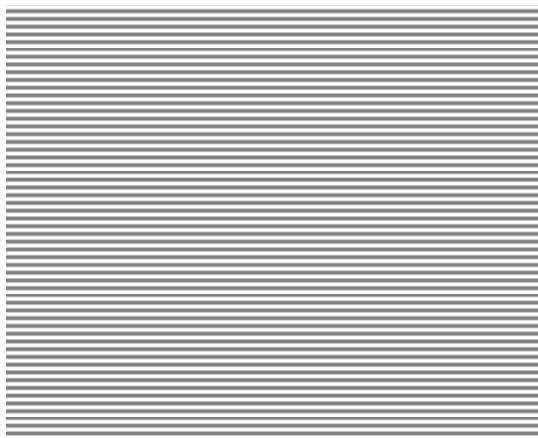
JUNE 30, 2010

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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July 11, 2011

To Major General Timothy Orr, Adjutant General
of the Iowa Department of Public Defense:

The Iowa Department of Public Defense is 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, 2010.

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. We believe you should be aware of these recommendations, which include those reported in the State's Single Audit Report and the State's Report on Internal Control, as well as other recommendations pertaining to the Department's internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Public Defense'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 the Iowa Department of Public Defense, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Defense 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 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 12 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 Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2010

Findings Reported in the State's Single Audit Report:

CFDA Number: 12.401 – National Guard Military Operations and Maintenance (O&M) Projects

Agency Number: W912LP-08-2, W912LP-09-2

Federal Award Year: 2008, 2009

State of Iowa Single Audit Report Comment: 10-III-DOD-582-1

- (1) Disposition of Equipment – Chapter 8 of the Cooperative Agreement regulations, as noted in the National Guard Regulations (NGR) 5.1, requires United States Property and Fiscal Office (USPFO) authorization for the disposition of equipment purchased with federal funds and the submission of assets maintained by the Iowa Department of Public Defense. The Department states they properly obtained USPFO authorization for approval of the disposition of equipment and provided records of maintained assets to the USPFO, but there was no supporting documentation retained for the authorization of deletions and the submission of asset records.

Recommendation – The Department should establish policies and procedures necessary to comply with the National Guard Regulations and maintain adequate supporting documentation.

Response and Corrective Action Planned – The Department will establish policies and procedures to ensure USPFO authorization is obtained and documentation is retained for all disposal of equipment and the asset listing will be furnished to USPFO.

Conclusion – Response accepted.

CFDA Number: 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Agency Number: FEMA-1688-DR, FEMA-1705-DR, FEMA-1727-DR, FEMA-1737-DR, FEMA-1763-DR, FEMA-1854-DR, FEMA-1877-DR, FEMA-1880-DR

Federal Award Year: 2007, 2008, 2009

State of Iowa Single Audit Report Comment: 10-III-DHS-583-1

- (2) 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. They also minimize the amount of state and other federal funds used to supplant programs until federal funds are received.

A review of the Department's ledgers and cash management system identified five instances where the cash balance was in excess of \$100,000 for four to seven days.

Recommendation – The Department should monitor cash balances to ensure balances on hand are sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Report of Recommendations to the Iowa Department of Public Defense

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Response and Corrective Action Planned – The Department uses an automated billing system for drawdown requests. We will continue to monitor drawdown requests and disbursement of those funds to ensure the disbursements are made in a timely manner.

Conclusion – Response accepted.

CFDA Number: 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Agency Number: FEMA-1688-DR, FEMA-1705-DR, FEMA-1727-DR, FEMA-1737-DR, FEMA-1763-DR, FEMA-1854-DR, FEMA-1877-DR, FEMA-1880-DR

Federal Award Year: 2007, 2008, 2009

State of Iowa Single Audit Report Comment: 10-III-DHS-583-2

- (3) Financial Reporting – Departments record receipts and disbursements on the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded on the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) on a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year.

During the year ended June 30, 2010, the Department developed and implemented procedures to determine the amount of liabilities outstanding by subrecipients related to the Public Assistance disaster grants and the related federal receivable. These amounts were included in the GAAP package. The population of subrecipients and liabilities originally provided was not complete, so the balances reported were understated. In addition, the activity processed through the I/3 system during the accrual period was not adjusted from the amounts reported in the GAAP package, resulting in an overstatement. The GAAP package was subsequently revised and properly adjusted for reporting purposes.

Recommendation – The Department should develop policies and procedures to ensure the listing of subrecipients used to determine the Public Assistance disaster grant liabilities is complete and should adjust for activity processed through the I/3 system during the accrual period.

Response and Corrective Action Planned – The State Comptroller's Office is working with the Homeland Security and Emergency Management Division Recovery Bureau to ensure procedures will be updated to ensure all activity during the accrual period is properly accounted for and the GAAP package reporting is accurate.

Conclusion – Response accepted.

June 30, 2010

CFDA Number: 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Agency Number: FEMA-1688-DR, FEMA-1705-DR, FEMA-1727-DR, FEMA-1737-DR, FEMA-1763-DR, FEMA-1854-DR, FEMA-1877-DR, FEMA-1880-DR

Federal Award Year: 2007, 2008, 2009

CFDA Number: 97.039 – Hazard Mitigation Grant

Agency Number: FEMA-1688-DR, FEMA-1705-DR, FEMA-1727-DR, FEMA-1737-DR, FEMA-1763-DR, FEMA-1854-DR, FEMA-1877-DR, FEMA-1880-DR

Federal Award Year: 2007, 2008, 2009

State of Iowa Single Audit Report Comment: 10-III-DHS-583-3

- (4) Monitoring of Subrecipient Audit Reports – OMB Circular A-133 requires the Department to ensure required audit reports of subrecipients expending \$500,000 or more in federal awards are completed within nine months of the subrecipient's fiscal year end, issue a management decision on audit findings within six months of the receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action on all findings.
- (a) There are no written policies and procedures to ensure subrecipient audit reports are received in a timely manner or follow-up is done with the subrecipient if not received. Several audit reports were not received by the Department in a timely manner.
 - (b) Current policies followed require the Department to send letters to subrecipients for audit reports not received. However, the letters were not sent in a timely manner. In addition, subrecipient audit reports received after September 2010 have not been reviewed by Department personnel.
 - (c) Current policies followed require the individual who initially reviews subrecipient audit reports to forward the audit reports with findings to Homeland Security Emergency Management Division (HSEMD) monitoring personnel for follow-up and documentation of corrective action taken by the subrecipient. Two audit reports noted as having no findings in the initial review did have significant findings and were properly reviewed by HSEMD monitoring personnel and proper follow-up was done.
 - (d) Thirteen audit reports reviewed by HSEMD monitoring personnel and requiring follow-up and corrective action by the subrecipient were not included on the spreadsheet documenting initial audit report review because they by-passed the initial review.

Recommendation –

- (a) The Department should develop policies and procedures to ensure subrecipient audit reports are received in a timely manner. If the Department has not received audit reports from subrecipients within nine months of the subrecipient's fiscal year end, the Department should follow up with the subrecipient to adhere to the requirement. Any correspondence and subsequent communications should be retained by the Department.

Report of Recommendations to the Iowa Department of Public Defense

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- (b) Letters sent to subrecipients as a reminder to submit audit reports should be sent in a timely manner. Audit reports received subsequently should be reviewed for audit findings and forwarded to HSEMD monitoring personnel for proper follow-up if required.
- (c) The Department should ensure personnel performing the initial subrecipient audit report reviews are properly trained to recognize the required elements of the review, determine compliance with the requirements and determine when follow up is necessary.
- (d) The Department should ensure the initial review of subrecipient audit reports is performed on all subrecipient audit reports.

Response and Corrective Action Planned – The Department has developed and is implementing a policy which will correct the above discrepancies. The policy has been instituted to be effective with the fiscal year 2010 single audit reports received.

Conclusion – Response accepted.

June 30, 2010

Findings Reported in the State's Report on Internal Control:

- (1) Financial Reporting – The Department records receipts and disbursements on the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded on the I/3 system is reported to DAS–SAE on a GAAP package. The GAAP package is to be submitted to DAS–SAE by the first week of September each year.

During the year ended June 30, 2010, the Department developed and implemented procedures to determine the amount of liabilities outstanding by subrecipients related to the Public Assistance disaster grants and the related federal receivable. These amounts were included in the GAAP package. The population of subrecipients and liabilities originally provided was not complete, so the balances reported were understated. In addition, the activity processed through the I/3 system during the accrual period was not adjusted from the amounts reported in the GAAP package, resulting in an overstatement. The GAAP package was subsequently revised and properly adjusted for reporting purposes.

Recommendation – The Department should develop policies and procedures to ensure the listing of subrecipients used to determine the Public Assistance disaster grant liabilities is complete and should adjust for activity processed through the I/3 system during the accrual period.

Response – The State Comptroller's Office is working with the Homeland Security and Emergency Management Division Recovery Bureau to ensure procedures will be updated to ensure all activity during the accrual period is properly accounted for and the GAAP package reporting is accurate.

Conclusion – Response accepted.

- (2) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department of the state to maintain a written, detailed and up-to-date inventory of property under its charge and control.

Military Division

(a) The following errors were noted for capital asset additions:

- (1) Two capital asset purchases totaling \$22,312 were not included as additions on the asset listing.
- (2) Three assets provided and owned by the federal government were capitalized, overstating additions by \$15,444.

(b) During annual inventory, six assets were found which were not on the Division's capital asset listing.

Homeland Security and Emergency Management Division

(a) One asset valued at \$8,772 could not be located.

(b) Accumulated depreciation was calculated incorrectly, understating depreciation expense and accumulated depreciation by \$2,194.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2010

Recommendation – The Department should develop written procedures to ensure a detailed, up-to-date capital asset listing is maintained. Procedures should include, but not be limited to, ensuring capital asset additions are reconciled to I/3 asset purchases and depreciation expense is properly calculated and recorded. Amounts should be accurately reported in the GAAP package.

Response – Procedures will be implemented to properly ensure capital assets are reconciled with I/3 and amounts reported on the GAAP package are accurate. Documentation will be maintained to support all figures.

Conclusion – Response accepted.

- (3) Payroll – The Department processes and records payroll and personnel information on the Human Resource Information System (HRIS). The Human Resource Associates utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises.

Three individuals have the ability to apply multiple levels of approval to timesheets.

Six individuals have the ability to initiate and approve P-1 documents. The Department requests and receives a quarterly summary of P-1 actions. However, the review is not performed by an independent individual.

Recommendation – To strengthen controls, the Department should develop and implement procedures to further segregate duties so individuals do not have the ability to apply multiple levels of approval for timesheets.

The Department should also ensure an independent individual performs the quarterly review of P-1 actions. This review should be evidenced by the signature of the independent reviewer and the date the review was performed.

Response – The Department has implemented a policy where no one individual will apply all approval levels to timesheets, except in case of emergency or absence of other authorized approvers. The P-1 quarterly review will be done by an independent individual not associated with the payroll process.

Conclusion – Response acknowledged. The P-1 quarterly review should be evidenced by the signature of the independent reviewer and the date the review was performed.

Other Findings Related to Internal Control:

- (1) Compensated Time – Certain employees who work more than forty hours per week and do not elect to receive overtime wages are eligible to receive compensated time at time and a half for the hours worked in excess of forty.

Certain employees within the Homeland Security and Emergency Management Division (HSEMD) were noted who routinely earned and used comp time in the same pay period. They were using compensated time in a week and then working extra hours later in the week, causing compensated time to be earned at time and a half. This gives the appearance of taking advantage of compensated time.

In addition, certain employees within HSEMD also appear to work a significant amount of overtime during the fiscal year.

Report of Recommendations to the Iowa Department of Public Defense

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Recommendation – The Division should develop policies and procedures regarding using compensated time. These should address whether it is allowable to use and earn compensated time within the same pay period.

Response – This concern was discussed with the appropriate people, recommendation shared with supervisors and a policy is being developed and put into place.

Conclusion – Response accepted.

- (2) Cell Phones – Effective fiscal year 2008, the Homeland Security and Emergency Management Division implemented a policy requiring employees with a Division-issued cell phone to reimburse the Division \$24 annually to cover any personal calls made from the cell phone. The reimbursement is to be collected in June of each year for the previous fiscal year. At June 30, 2010, HSEMD had approximately 120 cell phones issued to Division employees.

The policy provides any staff who do not intend to make personal calls will be exempted from the \$24 annual payment. The policy also provides cell phone bills will be periodically reviewed and staff who have been making personal calls but have not paid the annual reimbursement will be instructed to pay for the full year.

A review of cell phone procedures identified the following:

- (a) Most of the employees have not paid the required \$24 annual reimbursement as required or responded they do not use their state-issued cell phone for personal use.
- (b) Monitoring has not been performed to determine whether the \$24 annual reimbursement amount is reasonable based on actual personal usage. In addition, cell phone bills have not been reviewed for personal calls. Therefore, the Division has not sought reimbursement from employees who use the cell phones for personal use.

Recommendation – If this policy is to continue, the Division should ensure all employees comply with the cell phone policy. Cell phone bills should be periodically reviewed to determine if personal use is occurring. If so, employees should reimburse the Division the \$24 required annual payment. In addition, the Division should determine whether the \$24 annual reimbursement for personal usage is appropriate in relation to costs incurred.

Response – A complete review of all cell phones, Black Berry and air cards is being performed by the Department. When the review is complete, a decision will be made on which items are to be retained and which should be turned off. A new policy dealing with personal use will be put into action. A new policy dealing with issuing cell phones in the future will be issued.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters

Biennial Reports – Chapter 7A.3 of the Code of Iowa requires the Adjutant General to file a biennial report in each even-numbered year. The reports shall cover the biennial period ending June 30 and shall be filed as soon as practicable after the end of the reporting period. The Adjutant General is also required to file summary reports relating to the Department's operations for the preceding fiscal year in each odd-numbered year. Such reports are to be filed as soon as practicable after June 30 of

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each odd-numbered year. Biennial reports are to be as detailed as may be required by the Governor, or in case the reports are to be filed with the General Assembly, the presiding officers of the two houses of the General Assembly. The Department prepares annual reports rather than biennial reports and, as of March 2011, the report has not been filed.

Recommendation – The Adjutant General should comply with this chapter of the Code of Iowa.

Response – Personnel issues with staff members who do this report caused the report to be delayed for fiscal year 2010. The report will be completed by May 31, 2011. Other staff will be trained in this report's preparation and future reports will be completed timely.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2010

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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