



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE July 18, 2011

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Administrative Services for the year ended June 30, 2010.

The Iowa Department of Administrative Services is mandated by statute to provide services to other state agencies. To fulfill this responsibility, the Department is structured into the General Services Enterprise (GSE), the Information Technology Enterprise (ITE), the Human Resources Enterprise (HRE) and the State Accounting Enterprise (SAE).

Vaudt recommended the Department ensure a detailed, up-to-date capital asset listing is maintained along with establishing written policies and procedures. In addition, the Department should ensure the GAAP package information reported is complete and accurate. The Department's responses are included in the report.

A copy of the report is available for review in the Iowa Department of Administrative Services, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1160-0050-BR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF ADMINISTRATIVE SERVICES**

JUNE 30, 2010

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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July 11, 2011

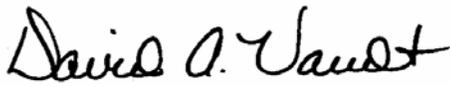
To Mike Carroll, Director of the
Iowa Department of Administrative Services:

The Iowa Department of Administrative Services 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, 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 Report on Internal Control as well as other recommendations pertaining to the Department's 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 Administrative Services' 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 Administrative Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Administrative Services 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 7 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:

No matters were noted.

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 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. The following were noted:
- (a) The Department understated the carrying amount of cash in the Workers Compensation Fund by \$5,379.
 - (b) The Department overstated future minimum rental payments for operating leases by \$909,707. This was properly adjusted for reporting purposes.
 - (c) The Department understated rental expense for operating leases by \$53,174. This was properly adjusted for reporting purposes.

Recommendation – The Department should ensure the GAAP package information reported is complete and accurate.

Response – The Department will review the process used for the GAAP package, including identifying leases for Information Technology Enterprises to ensure the correct information is included for reporting purposes in fiscal year 2011.

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. The following were noted:
- (a) The Department did not perform a reconciliation of capital asset additions to I/3 system expenditures on a timely basis.
 - (b) Adjustments made for prior year retainage payable were incorrectly shown as deletions instead of an adjustment to additions, causing deletions and additions to be overstated by \$78,662 for land improvements and \$50,341 for buildings.
 - (c) Accumulated depreciation was understated by \$18,841 and depreciation expense for buildings and building improvements was understated by \$699 due to incorrect adjustments made for prior year errors.
 - (d) Depreciation expense for buildings and building improvements was overstated by \$8,096.
 - (e) The gain on the sale and/or disposal of assets was reported as a loss. This was properly adjusted for reporting purposes.

June 30, 2010

Recommendation – The Department should ensure a detailed, up-to-date capital asset listing is maintained. Capital asset additions should be reconciled to 1/3 asset purchases on a timely basis and additions should be properly adjusted for retainage payable. Depreciation expense, accumulated depreciation and gain or loss on disposal of assets should be properly calculated and recorded.

Response – The Department did perform multiple reconciliations of capital assets during fiscal year 2010. There was no internal requirement as to how often those reconciliations were supposed to be performed. The reconciliations are to be completed on a more timely basis in fiscal year 2011. The remaining comments and clean up from previous years is noted and the Department will work with staff of the Office of Auditor of State to ensure the fiscal year 2011 GAAP package corrections resolve any outstanding comments from prior years.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

Compliance with the Code of Iowa – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2010:

- (a) Chapter 556.2C requires the Department, on or before July 1 of each year, to provide the Treasurer of State with a report of all unpaid outdated warrants which have been canceled and have not been previously reported to the office. This report has not been made available in a format readily useable by the Treasurer's Unclaimed Property Division.
- (b) Chapter 8A.123(5b) requires the Department, on or before October 1 of each year, to provide the General Assembly with a report of the activities funded by and the expenditures made from Internal Service Funds. This report was submitted April 6, 2011.
- (c) Chapter 8A.315 requires the Department, on or before February 1 of each year, to provide the General Assembly with a recycled products report. This report was submitted March 21, 2011.
- (d) Chapter 8A.322(3) requires the Department to establish, publish and enforce rules regulating and restricting the use by the public of the capitol buildings and grounds and of the state laboratories facility in Ankeny. The rules should be posted in a conspicuous place around the capitol buildings and grounds and the state laboratories facility. This has not been completed.
- (e) Chapter 8D.10 requires the Department, on or before January 15 of each year, to provide a report to the General Assembly documenting the agency's annual ICN savings. This report was submitted February 1, 2011.
- (f) Chapter 8A.362(4c) requires the Department, on or before June 15 of each year, to report compliance with the corporate average fuel economy standards published by the United States Secretary of Transportation. A copy of this report is to be delivered to the Director of the Iowa Department of Natural Resources. This report was submitted June 30, 2010.

Recommendation – The Department should comply with the Code of Iowa.

Report of Recommendations to the Iowa Department of Administrative Services

June 30, 2010

Response – The Department has offered to provide the Treasurer of State with paper copies of the outdated warrant file noted above in a. The Treasurer of State’s office prefers an electronic file which we have not been able to provide them with. DAS is in the process of determining what we can provide the Treasurer of State and what other possibilities could be done to meet this requirement. We have begun discussion with the Deputy Treasurer of State in regards to outdated warrants and possible solutions for the issue.

The Department acknowledges the reports noted in b, c, e and f, while completed, were not submitted on a timely basis due to staff reassignments. To eliminate such delays going forward, the Department will assign joint responsibility to be shared by the Legislative Liaison and Communications Manager in order to ensure all Department reports are submitted in a timely manner.

The Department acknowledges the noted rules, in d above, have not been officially established. DAS is in the process of adopting the rules and posting will occur after that process is complete. DAS is in the process of restructuring and will identify a minimum of two individuals to actively engage in or monitor the rules process in order to ensure all required Departmental rules are executed in a timely manner.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Administrative Services

June 30, 2010

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Tammy A. Hollingsworth, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Donald J. Lewis, CPA, Senior Auditor
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Gabriel M. Stafford, CPA, Staff Auditor
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Chad W. Baker, Assistant Auditor
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Clinton J. Krapfl, Assistant Auditor
Cory A. Lee, Assistant Auditor
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