



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ June 18, 2010

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Office of Energy Independence for the year ended June 30, 2009.

The Iowa Office of Energy Independence (OEI) sets the strategic direction for Iowa's clean energy future by identifying goals to achieve desired results. The Office will align state government efforts for achieving energy independence through partnerships with business and industry, community leaders, government and public agencies and other stakeholders.

A copy of the report is available for review at the Iowa Office of Energy Independence, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA OFFICE OF ENERGY INDEPENDENCE**

JUNE 30, 2009

— Office of —
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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June 11, 2010

To Roya Stanley, Director of the
Iowa Office of Energy Independence:

The Iowa Office of Energy Independence is a part of the State of Iowa and, as such, has been included in our audit of the State's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009.

In conducting our audit, we became aware of certain aspects concerning the Office'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 pertaining to the Office's internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with Office personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Office's responses, we did not audit the Iowa Office of Energy Independence'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 Office of Energy Independence, citizens of the State of Iowa and other parties to whom the Office 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 Office during the course of our audit. Should you have questions concerning the above matter, we shall be pleased to discuss it with you at your convenience. Individuals who participated in our audit of the Office are listed on page 6 and they are available to discuss this matter with you.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor
Richard C. Oshlo, Jr., Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2009

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

No matters were noted.

Other Findings Related to Internal Control:

- (1) Segregation of Duties – During our review of the internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Office's financial statements. One person had control over the approval of claims for procurement cards.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Office should review the operating procedures to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We have put in the place the following internal controls:

Financial Transactions: The administrative assistant inputs the transaction into the Integrated Information for Iowa (I/3) system and the budget analyst and deputy director review the transaction before sending to the Iowa Department of Administrative Services - State Accounting Enterprise for processing.

Reconciliations: The budget analyst completes the reconciliations and the deputy director reviews the reconciliation.

Reports: The budget analyst completes the financial reports, the program planner completes the program reports and their respective managers review the reports.

No employee does more than one function for a transaction, reconciliation or report.

Conclusion – Response accepted.

- (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.

A review of the Office's ledgers and cash management system identified one drawdown, made at the beginning of the fiscal year, which requested the entire administration grant amount before disbursements were incurred.

Another drawdown was requested well before the disbursements were made and for an amount greater than disbursements. No support was available to identify the disbursements included in the drawdown request.

Recommendation – The Office should ensure federal funds drawn are properly supported, are in amounts sufficient to cover current needs and are disbursed in a timely manner. Also, the Office should repay the excess funds to the U.S. Department of Energy.

Report of Recommendations to the Iowa Office of Energy Independence

June 30, 2009

Response – Regarding the large draw down of the entire administrative grant (State Energy Program (SEP)): The previous deputy director drew down the entire amount. She was not given proper instruction as to how to proceed and was told she could draw all of it down instead of being instructed to draw down on a reimbursement basis. The excess funds were returned on November 24, 2009, including interest.

Regarding the draw down greater than the disbursement: The draw down was made in early May, by the deputy director, based on a balance provided by the Iowa Department of Natural Resources (DNR) for the amount they were planning on billing for their work on the SEP formula program. The billing from DNR was not received until late June. The excess funds were used to pay for salaries in the first part of fiscal year 2010. In the future, federal draws will not be made until expenditures are incurred.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa Office of Energy Independence

June 30, 2009

Staff:

Questions or requests for further assistance should be directed to:

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

Other individuals who participated on the audits include:

Brett C. Conner, Staff Auditor
Ainslee M. Barnes, Assistant Auditor
Kelly L. Hilton, Assistant Auditor
Jeana R. Muhlbauer, Assistant Auditor
Reza Sepehri, Assistant Auditor