



OFFICE OF AUDITOR OF STATE
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NEWS RELEASE

FOR RELEASE

May 25, 2012

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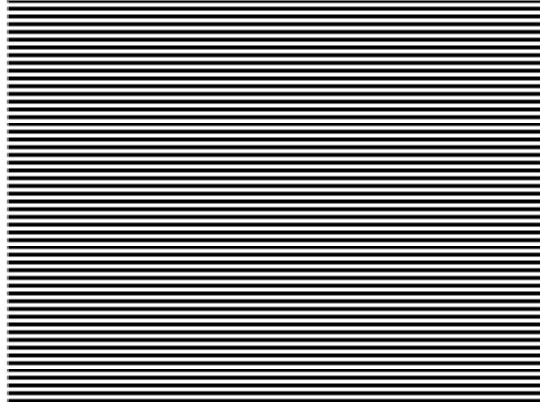
Auditor of State David A. Vaudt today released a report on the Iowa Department of Education, Division of Vocational Rehabilitation Services for the year ended June 30, 2011.

The Iowa Department of Education, Division of Vocational Rehabilitation Services is responsible for determining eligibility of individuals for vocational rehabilitation and the nature and scope of vocational rehabilitation services to be provided. In addition, the Division has assumed the duties relating to making determinations of disability under the Social Security Act pursuant to an agreement between the Division and the Social Security Administration.

Vaudt recommended the Division review its policies and procedures to ensure proper cash management and implement procedures to segregate human resources and payroll.

A copy of the report is available for review at the Iowa Department of Education, Division of Vocational Rehabilitation Services, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1260-2830-BR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF EDUCATION, DIVISION OF
VOCATIONAL REHABILITATION SERVICES**

JUNE 30, 2011

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State





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April 19, 2012

To the Members of the State
Board of Education:

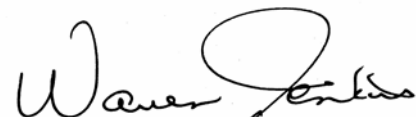
The Iowa Department of Education, Division of Vocational Rehabilitation Services is part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2011.

In conducting our audits, we became aware of certain aspects concerning the Division'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 other recommendations pertaining to the Division's internal control. These recommendations have been discussed with Division personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Division's responses, we did not audit the Division'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 Education, Division of Vocational Rehabilitation Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Education, Division of Vocational Rehabilitation 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 Division 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 Division 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 Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

Report of Recommendations to the
Iowa Department of Education
Division of Vocational Rehabilitation Services

June 30, 2011

Findings Reported in the State's Single Audit Report:

CFDA Number: 84.126 – Rehabilitation Services_Vocational Rehabilitation Grants to States

Agency Number: H126A100020, H126A11020

Federal Award Year: 2010, 2011

State of Iowa Single Audit Report Comment: 11-III-USDE-283-8

- (1) Cash Management – Effective cash management procedures provide for minimizing the amount of time between 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.

In anticipation of a potential federal government shutdown, the Division drew down approximately \$702,000 in excess of current needs for the Rehabilitation Services programs. It took the Division nine business days to expend the excess funds.

Recommendation – In the future, the Division should obtain formal written guidance from the applicable federal agency and develop and implement procedures to ensure compliance with the federal agency guidance.

Response and Corrective Action Planned – The Division does have procedures in place to minimize the amount of time between drawdown and disbursement of federal funds. The situation noted is an isolated and exceptional instance which required management to plan for business continuity for service to Iowans.

Conclusion – Response accepted.

CFDA Number: 96.001 – Social Security_Disability Insurance

Agency Number: 04-1104IADI00

Federal Award Year: 2011

State of Iowa Single Audit Report Comment: 11-III-SSA-283-1

- (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.

In anticipation of a potential federal government shutdown, the Division drew down approximately \$1,230,000 in excess of current needs for the Social Security_Disability Insurance program. It took the Division 20 business days to expend the excess funds.

Recommendation – In the future, the Division should obtain formal written guidance from the applicable federal agency and develop and implement procedures to ensure compliance with the federal agency guidance.

Response and Corrective Action Planned – The Department does have procedures in place to minimize the amount of time between drawdown and disbursement of federal funds. The situation noted is an isolated and exceptional instance which required management to plan for business continuity for service to Iowans.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Education
Division of Vocational Rehabilitation Services

June 30, 2011

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

No matters were noted.

Other Findings Related to Internal Control:

- (1) Payroll – The Division processes and records payroll and personnel information on the Human Resources 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.

The Division's standard practice is for an independent person to apply Department level approval to the P-1 document. However, two individuals have the ability to both initiate and approve P-1 documents. During the year, there were no instances noted of these individuals applying both levels of approval, but the Division does not have procedures in place to detect if such instances occur.

In addition, these individuals have the ability to initiate and approve timesheets.

Recommendation – To strengthen controls, the Division should develop and implement procedures to segregate the duties of the Human Resource Associates from the duties of payroll.

Response and Corrective Action Planned – Iowa Vocational Rehabilitation Services payroll document approval has, for some time now, been segregated so no one person can both initiate and approve a payroll transaction. This was noted in our response to the FY 10 audit. While we had segregated such approval in FY 10, there was an isolated incident in FY11 (April, 2011) that was communicated in a 6/8/11 email regarding the FY 10 audit – when the dual approval issue was raised. Our practice since then has been to ensure we have one person initiate a transaction, followed by approval by a different person. We are positioned to continually adhere to this practice.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the
Iowa Department of Education
Division of Vocational Rehabilitation Services

June 30, 2011

Staff:

Questions or requests for further assistance should be directed to:

Brian R. Brustkern, CPA, Manager
Brian P. Schenkelberg, CPA, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audit include:

Ainslee M. Barnes, CPA, Staff Auditor
Gabriel M. Stafford, CPA, Staff Auditor
Brandon J. Vogel, Staff Auditor
Adam B. Bartz, Assistant Auditor
Daniel J. Mikels, Assistant Auditor