



**OFFICE OF AUDITOR OF STATE**  
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE July 25, 2012

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Education for the year ended June 30, 2011.

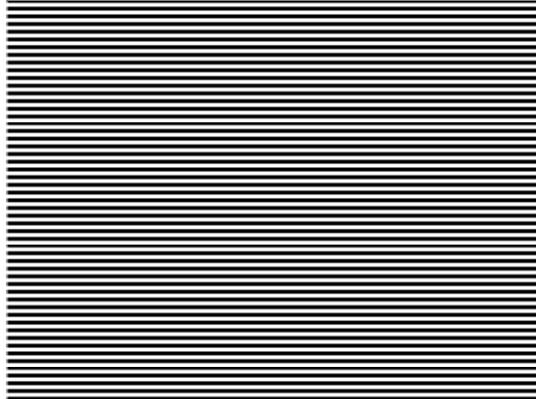
The Department is empowered to exercise general supervision over the State system of education, including all Iowa local community school districts, merged area schools, area education agencies and other local agencies and non-public schools, to the extent necessary to ascertain compliance with Iowa school laws. In fulfilling the responsibilities assigned to it by law, the Department provides and strives to improve programs and support services necessary to meet the identified state and federal educational needs of Iowa, efficiently and effectively.

Vaudt recommended the Department obtain and process requests for payments submitted by subrecipients more timely or consider estimating payables to more accurately report payables at year end. The Department should also develop policies and procedures over various aspects of its IT systems. The Department's responses to the recommendations are included in the report.

A copy of the report is available for review in the Iowa Department of Education, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/1260-2820-BR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF EDUCATION**

**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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July 20, 2012

To the Members of the State  
Board of Education:

The Iowa Department of Education 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, 2011.

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 Education'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, citizens of the State of Iowa and other parties to whom the Iowa Department of Education 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 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 18 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

June 30, 2011

**Findings Reported in the State's Single Audit Report:**

**CFDA Number: 10.558 – Child and Adult Care Food Program**

**Agency Number: 2009IN202043, 2010IN202043, 2011IN202043**

**Federal Award Year: 2009, 2010, 2011**

**State of Iowa Single Audit Report Comment: 11-III-USDA-282-1**

- (1) Administrative Reviews – The Code of Federal Regulations, 7 CFR 226.6(m)(6), requires the Department to annually review at least 33.3% of all institutions. In addition, at least 15% of the total number of facility reviews must be unannounced. Sponsoring organizations with less than 100 facilities must be reviewed at least every three years and sponsoring organizations with more than 100 facilities must be reviewed at least once every two years.

The Department has implemented a new on-line tracking system to document the administrative reviews completed. Each consultant assigned to perform reviews updates the system with the results of their administrative review.

The Department has not designated one person to be responsible to ensure the tracking system is complete and to review the administrative reviews performed to determine whether they are complete and adequate. Based on review of the listing of reviews performed for years ended June 30, 2007 through June 30, 2011, 15 administrative reviews required during fiscal year 2011 were not performed. In addition, based on review of the listing of all participating institutions, 13 were on the listing, but were not included on the listing of administrative reviews performed for the years ended June 30, 2007 through June 30, 2011. Therefore, we were unable to determine whether these 13 institutions have had administrative reviews as required.

Recommendation – The Department should designate a person to ensure the system is updated, complete and the required administrative reviews have been completed. This person should also review the reviews performed to ensure they are adequate and complete.

Response and Corrective Action Planned – A comprehensive review of the scheduled reviews for participating institutions has been completed by the Bureau Chief. Fiscal year 2012's review schedule has been revised. Individual consultant feedback concerning completion and documentation of scheduled reviews from last year and this year is provided monthly. Bureau staff met in person with Colyar on February 9, 2012 to move the Status Review Tracking Report to a final version. Monthly review of progress includes the "Tracking Reports" and "Missing Review Report".

Current staffing patterns, changes in workload through regulation or increased program participation and the Bureau Table of Organization (TO) are currently in review. Any proposed revisions to the Bureau TO and/or individual staff responsibilities for the program will be completed no later than April 6, 2012.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2011

**CFDA Number: 10.558 – Child and Adult Care Food Program**  
**Agency Number: 2009IN202043, 2010IN202043, 2011IN202043**  
**Federal Award Year: 2009, 2010, 2011**

**State of Iowa Single Audit Report Comment: 11-III-USDA-282-2**

- (2) Terminated Day Care Providers – The Code of Federal Regulations, 7 CFR 226.6(c)(2)(iii)(E)(2), requires the Department to update a termination list when a notice of termination is issued. Although the listing of participating providers includes those institutions terminated during the year ended June 30, 2011, the Department does not maintain a complete listing of institutions terminated in the past.

Since the Department does not maintain a home providers/center termination list, we are unable to determine compliance with 7 CFR 226.6(c)(7)(vi). This section requires the Department to determine whether any correction of the serious deficiencies has occurred or if seven years have elapsed since the serious deficiencies occurred. Then, the institution can be removed from the termination list.

Recommendation – The Department should implement procedures to create and maintain a complete listing of all terminated home providers/centers and review this listing to determine whether corrections of the serious deficiencies have been made or seven years have elapsed.

Response and Corrective Action Planned – The Department has several different sources/listings which document terminated home providers/centers, including the following: excel listing of home providers terminated prior to 2009, report on CNP2000 of home providers terminated from 2009 to the current, excel listing of centers/center sponsors terminated prior to 2008 and centers/center sponsors terminated after 2008 are tracked on the CNP2000 system. The tracking of centers/center sponsors terminated after 2008 is included as part of serious deficiencies tracking on the CNP2000 system. A report was put into live production on February 23, 2012 to pull this information. The report will be available as an on-screen report or downloadable to a spreadsheet. Either version is searchable; the report may be searched through filters of agreement number, institution or individual name or dates, and the downloadable excel spreadsheet via the sort function.

Once terminated, we do not review for correction of the serious deficiency unless they desire to return to the program.

Conclusion – Response acknowledged. The Department should maintain a complete list of all terminated home providers/centers. This list should be reviewed to determine whether corrections of the serious deficiencies have been made or seven years have elapsed.

Report of Recommendations to the Iowa Department of Education

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**CFDA Number: 10.558 – Child and Adult Care Food Program**  
**Agency Number: 2009IN202043, 2010IN202043, 2011IN202043**  
**Federal Award Year: 2009, 2010, 2011**

**State of Iowa Single Audit Report Comment: 11-III-USDA-282-3**

- (3) News Media Release – The Code of Federal Regulations, 7 CFR 226.23(d), requires each participating institution annually provide a news release to the media serving the area from which the institution draws attendance, unless the Department issued a Statewide media release on behalf of all institutions. Depending on the type of institution, certain information is to be included in the news release. The Department provides a sample news release to the institutions. This sample news release does not include all the requirements listed in the Code of Federal Regulations.

Recommendation – If the Department is going to provide a sample news release to the institutions, it should include all the requirements of the Code of Federal Regulations or the Department can issue a Statewide media release on behalf of all institutions.

Response and Corrective Action Planned – Media releases for the Non-Pricing, Pricing and Home Sponsors have been compared with the requirements listed in 7 CFR 226.23(d) and updated with the missing information.

Conclusion – Response accepted.

**CFDA Number: 10.559 – Summer Food Service Program for Children**  
**Agency Number: 2011INI099043**  
**Federal Award Year: 2011**

**CFDA Number: 84.027 – Special Education Grants to States**  
**Agency Number: H027A100097**  
**Federal Award Year: 2010**

**CFDA Number: 84.173 – Special Education Preschool Grants**  
**Agency Number: H173A100102**  
**Federal Award Year: 2010**

**CFDA Number: 84.367 – Improving Teacher Quality State Grants**  
**Agency Number: S367A090014, S367A100014**  
**Federal Award Year: 2009, 2010**

**State of Iowa Single Audit Report Comments: 11-III-USDA-282-4 and 11-III-USDE-282-6**

- (4) Appeal Board Claims – The Department performs certain procedures after September 1 of each year to identify additional accounts payable which were not included as expenditures on the Integrated Information for Iowa (I/3) system. However, at June 30, 2011, there were approximately \$1.3 million in requests for payment submitted by subrecipients, of which approximately \$1,500 pertained to the Summer Food Service Program for Children, approximately \$21,000 pertained to the Special Education Cluster and approximately \$508,000 pertained to Improving Teacher Quality State Grants which were not reported to the Iowa Department of Administrative Services – State Accounting Enterprise.

Report of Recommendations to the Iowa Department of Education

June 30, 2011

Recommendation – The Department should obtain and process requests for payments from subrecipients timely or the Department should consider estimating payables to more accurately report payables at year end.

Response and Corrective Action Planned – The Department acknowledges this issue and has made this a priority to address. Processes were put in place in fiscal year 2011 to improve the timeliness of submissions. Included in those processes are updated expectations related to contract/grant development and monitoring as well as claim processing. The Department will target these programs specifically to attempt to get to our goal of zero appeal board claims.

Conclusion – Response accepted.

**CFDA Number: 84.410 – Education Jobs Fund**

**Agency Number: S410A100016**

**Federal Award Year: 2010**

**State of Iowa Single Audit Report Comment: 11-III-USDE-282-1**

- (5) Level of Effort – The U.S. Department of Education Compliance Supplement for the Education Jobs Fund program states, in part, “A State must maintain fiscal effort for education for State fiscal year 2011.” The method selected by the State of Iowa in the State Maintenance-of-Effort Submission under the Education Jobs Fund Program (submission) requires the State of Iowa to maintain State support for public institutions of higher education (IHE) at a percentage of the total revenues available to the State equal to or greater than the percentage for State fiscal year 2010. The submission was signed and submitted by the Director of the Department of Management on October 7, 2010 and included the fiscal year 2010 baseline percentage of 11.3%. The projected State support for public IHE’s for fiscal year 2011 as a percentage of projected total fiscal year 2011 State revenues was 11.7%. However, when the actual fiscal year 2010 and 2011 maintenance of effort balances were calculated, the State had State support for the public IHE’s of 11.23% and 10.75%, respectively. Therefore, the State of Iowa did not meet the maintenance of effort requirement by approximately \$28 million for the Education Jobs Fund during the year ended June 30, 2011.

Recommendation – The State of Iowa should monitor the maintenance of effort requirement for the program during the year to ensure compliance with the requirement at year end. The State of Iowa should also contact the U.S. Department of Education to determine the disposition of this matter.

Response and Corrective Action Planned – It is the State of Iowa’s understanding the Office of Auditor of State (Auditor) is raising no questions of the information reported on the submission dated October 7, 2010 which was required to be filed to meet the maintenance of effort requirement for the Education Jobs Fund program. It is also the State of Iowa’s understanding the U.S. Department of Education has required no further submission from the State regarding the maintenance of effort under the Education Jobs Fund program. Therefore, under the requirements set forth from the U.S. Department of Education, it appears the State of Iowa is not out of compliance with the maintenance of effort under the Education Jobs Fund program.

## Report of Recommendations to the Iowa Department of Education

June 30, 2011

The State of Iowa is not questioning the information used by the Auditor in the development of this comment. The actual numbers reflect the percentages reported. However, there is a flaw in the logic of this comparison. What the Auditor readily agreed to was the only number which changed significantly in the calculation of actual percentages compared to the percentages shown on the submission was the denominator used in the percentage calculation. For the fiscal year 2011 percentage calculation, this number is Net General Fund receipts for fiscal year 2011. The actual number used by the Auditor was not finally determined and audited by the Auditor until December 15, 2011, the date of the State of Iowa's Comprehensive Annual Financial Report. This number was larger than the estimated Net General Fund receipts number used in the October 7, 2010 submission. Therefore, the actual percentage is smaller than the percentage reported in the October 7, 2010 submission. The October 7, 2010 submission was based upon the latest available Revenue Estimating Conference estimate, which the Auditor agreed was appropriate. By the time the actual Net General Fund receipts number was determined, fiscal year 2011 was closed. Therefore, an opportunity to update any of the State General Fund appropriations to public IHE's in fiscal year 2011 to bring percentages back into compliance had passed. With no way to rectify this issue in fiscal year 2011 due to the timing of the final determination of Net General Fund revenues, this comparison is flawed. It is impossible to be in compliance when final determination of compliance is done after the close of the fiscal year.

The State of Iowa will work with the U.S. Department of Education if there needs to be resolution of the issue.

Conclusion – Response acknowledged. The October 7, 2010 submission also states “Following the close of State fiscal year 2011, the Department will be collecting final appropriations or expenditure data for that fiscal year to verify the State met the statutory maintenance of effort requirement.” In the future, the Department should monitor the maintenance of effort calculation during the year using updated best estimates so adjustments can be made if needed. In addition, as soon as actual information is available, the Department should document the maintenance of effort calculation and work with the U.S. Department of Education if the maintenance of effort requirement is not met.

**CFDA Number: 84.410 – Education Jobs Fund**

**Agency Number: S410A100016**

**Federal Award Year: 2010**

**State of Iowa Single Audit Report Comment: 11-III-USDE-282-2**

- (6) Questioned Costs – In the application for Funding for Phase II of the Education Fund under the State Fiscal Stabilization Fund (SFSF) Program submitted on March 3, 2010, the Department was responsible for the development, execution and oversight of the Phase II requirements. These requirements included specific indicators and descriptors which need to be addressed in order to meet the Phase II requirements. Indicators (c)(11) and (c)(12) of the application require the State to collect data related to students who graduate from high school and enroll in an institution of higher education within 16 months of receiving a regular high school diploma and students who complete at least one year's worth of college credit within two years of enrollment.

## Report of Recommendations to the Iowa Department of Education

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In order to meet these Phase II requirements, the Department's application stated it would request funding under another program, Statewide Longitudinal Data Systems Grant, CFDA Number 84.384. However, the Department did not receive this funding during the year ended June 30, 2011.

On April 4, 2011, the Department entered into an agreement with the National Student Clearinghouse to provide services and assist the State in submitting and reporting its 2010-2011 school year enrollment data, which addresses the Phase II requirements above. The Department paid \$8,000 on June 20, 2011 (state fiscal year 2011) and \$26,500 on July 28, 2011 (state fiscal year 2012). Both payments were made with administrative funds received under the Education Jobs Fund program and not the State Fiscal Stabilization – Education State Grants program. This is not an allowable cost under the Education Jobs Fund program.

Recommendation – The Department should review the questioned costs and work with the U.S. Department of Education to resolve this issue.

Response and Corrective Action Planned – The purpose of accessing the National Student Clearinghouse was to comply with requirements included in the ARRA SFSF Phase II application. This is not how the ARRA SFSF fund worked. The State received an initial allocation upon submission of its ARRA SFSF Part II application. Upon submission and approval of its ARRA SFSF Part I application, the grant award was amended to receive the full award. The accountability on the Education Jobs Fund program tracked back directly to ARRA SFSF requirements. The Iowa Department of Education received no funding under either of the ARRA SFSF Education or Governmental Services funds. Because the Department, with Governor's Office permission, had the ability to capture some State set-aside through the Education Jobs Fund program, the Department requested 0.2% of the maximum 2% of the award for administrative purposes to complete the implementation of the collection of data we assured we would collect under ARRA SFSF requirements. This purchase directly related to those requirements. We believe it is a natural fit and a clearly permissive expense.

Conclusion – Response acknowledged. The Department should review the questioned costs and work with the U.S. Department of Education to resolve this issue.

**CFDA Number: 84.010 – Title 1 Grants to Local Educational Agencies**

**Agency Number: S010A090015, S010A100015**

**Federal Award Year: 2009, 2010**

**State of Iowa Single Audit Report Comment: 11-III-USDE-282-3**

- (7) Comprehensive School Improvement Plan (CSIP) Certification – Iowa Administrative Code [281] 12.8(2) requires non-public schools and school districts to submit a revised five-year CSIP to the Iowa Department of Education by September 15 of the school year following the comprehensive site visit.

For four of eighteen school districts tested, the CSIP was not submitted by September 15.

Recommendation – The Department should establish procedures to ensure all CSIP's are received by September 15.

Report of Recommendations to the Iowa Department of Education

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Response and Corrective Action Planned – The Department acknowledges this is a concern, but this is an issue which is beyond the direct control of the Department. We very diligently pursue the completion of these reports, but the Department has no real mechanism to “ensure” compliance with this. Failure to complete this report can lead to an accreditation citation for the district. The Department has been interested for several years in some sort of short term fiscal sanction for the district, but has not been successful in getting that provision into statute. We will continue to work diligently to get districts to comply with this deadline.

Conclusion – Response accepted.

**CFDA Number: 84.010 – Title 1 Grants to Local Educational Agencies**

**Agency Number: S010A100015**

**Federal Award Year: 2010**

**State of Iowa Single Audit Report Comment: 11-III-USDE-282-4**

- (8) Title I Allocation and Reserve Calculation – Each year, the Department calculates the allocation of Title I funding, including the amounts required to be reserved and allocated for school improvement activities.

According to the Code of Federal Regulations, 34 CFR 200.100, the State must reserve 4% of the amount the State receives for Title I for school improvement activities. In reserving the funds, the State may not reduce the total Title I allocations the school districts received in the previous fiscal year. If this situation occurs, the State is not required to reserve the full 4%. For fiscal year 2011, the State’s reserve was calculated at less than 4%, which is acceptable.

According to the Department’s Title I Reference Manual, the allocation process involves computing the eligible counts based on information received from school districts and private schools. The school districts and private schools provide free lunch counts each year which are then multiplied by 50% to account for duplicate counts, which occurs when combining with other data received. In the Department’s calculation, it used the total free lunch counts instead of the counts at 50%. As a result of this error, the Title I allocations and the reserve for school improvement activities were miscalculated. Approximately \$200,000 was included in the Title I allocations and awarded to school districts for Title I expenditures rather than included properly in the reserve balance, which is allocated to school districts based on a different formula.

Recommendation – The Department should recalculate the allocation and work with the U.S. Department of Education for resolution of this matter.

Response and Corrective Action Planned – In reviewing this comment, the Department acknowledges a simple human error occurred in this calculation during this period of review. The error was found in fiscal year 2012 and corrected. We believe we have already corrected for this issue.

Conclusion – Response accepted.

June 30, 2011

**CFDA Number: 84.010 – Title 1 Grants to Local Educational Agencies**

**Agency Number: S010A110015**

**Federal Award Year: 2010**

**CFDA Number: 84.027 – Special Education Grants to States**

**Agency Number: H027A090097**

**Federal Award Year: 2010**

**State of Iowa Single Audit Report Comment: 11-III-USDE-282-5**

- (9) 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 Department drew down approximately \$121,000 in excess of current needs for the Title I program and approximately \$21,600 in excess of current needs for the Special Education program. It took the Department 12 business days to expend the excess funds.

Recommendation – In the future, the Department 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 fully intends to comply with the Cash Management Improvement Act (CMIA) and proper cash management. Our Department policy follows federal statute – we want all drawn funding to be disbursed within 48 hours. We have had situations where last minute adjustments to payments occur, leaving excess funding available for longer than 48 hours. In those situations, we determined it was more efficient to hold the money for the subsequent expenditure than to send the money back to comply with CMIA. Our goal is always to comply with CMIA provisions.

Conclusion – Response accepted.

**CFDA Number: 84.027 – Special Education Grants to States**

**Agency Number: H027A100097**

**Federal Award Year: 2010**

**State of Iowa Single Audit Report Comment: 11-III-USDE-282-7**

- (10) Maintenance of Effort – United States Code Title 20, Chapter 33, Section 1412(a)(18)(A) states, in part, “The State does not reduce the amount of State financial support for special education and related services for children with disabilities, or otherwise made available because of the excess costs of educating those children, below the amount of that support for the preceding fiscal year.”

## Report of Recommendations to the Iowa Department of Education

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On March 16, 2011, the Department of Education submitted a request to the U.S. Department of Education for a waiver to this requirement. However, on June 21, 2011, the U.S. Department of Education denied the waiver request and instructed the Department to make an additional \$4,082,923 available in State financial support for special education and related services for fiscal year 2011.

In order to make this additional support available, the Department reclassified a portion of each school district's state-provided general program expenditures as special education funds. In determining the reduction of state-provided general program expenditures for each school district, the Department made errors in the calculation for 46 districts. Although, the maintenance of effort requirement was met by the State, the erroneous data used by the Department affected and resulted in incorrect allocation and reporting of the general program expenditures and special education (surplus of deficit) balance as of June 30, 2011.

Recommendation – The Department should recalculate the adjustment and work with the affected school districts to make the appropriate corrections to their records and reports.

Response and Corrective Action Planned – The Department will comply with the request.

Conclusion – Response accepted.

June 30, 2011

**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.

The Department performs additional procedures after September 1 to identify additional accounts payable which were not included as expenditures on the I/3 system. However, even with the additional procedures performed, there were still significant outstanding requests for payments submitted by subrecipients which were not reported in the GAAP package to DAS-SAE.

Recommendation – The Department should consider estimating requests for payments from subrecipients to more accurately report payables at year end.

Response – During the year covered by this audit, the Department updated its operating manuals and implemented new Department contract and claims processes and procedures. The updated processes and procedures included in these manuals were developed, in part, to address the above concerns. It is an ongoing struggle to get outside vendors or subrecipients to submit documents or requests for payment in a timely way. The procedures and processes the Department updated were an attempt to lend some structure to the process to ensure we are getting requests for payment in advance of necessary deadlines. The Department acknowledges the volume of appeal board claims for payments is too high. Processes have now been put in place in the three funding areas where the highest number of appeal board claims are processed to attempt to reduce the volume.

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 performs monthly and annual reconciliations of capital asset additions to I/3 system expenditures. However, the reconciliation was not reviewed by someone independent of the reconciliation process.
  - (b) One asset deletion was not properly authorized.
  - (c) One capital asset, valued at \$10,807, could not be located.
  - (d) One capital asset, with a net book value of \$8,075, failed and was replaced by the vendor with a new asset valued at \$30,600. This activity was not reflected in the GAAP package.

Report of Recommendations to the Iowa Department of Education

June 30, 2011

Recommendation – To strengthen controls, the Department should update current written procedures to include timely review and documentation of reconciliations between I/3 and the Department’s capital asset tracking system by an independent person. The Department should also ensure a detailed, up-to-date capital asset listing is maintained.

Response – At the time covered by this audit, this was certainly true. It was an area which needed improvement and we have done so. We now review the capital assets list monthly using an independent person. We have also reassigned this area to a person who will properly address these issues.

Conclusion – Response accepted.

(3) Payroll – The Department processes and records payroll and personnel information on the Human Resource Information System (HRIS). The Human Resources Associates utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises. The following findings were noted where there were no compensating controls.

(a) Thirty-four individuals within the Department have the ability to initiate and approve timesheets.

(b) Several employees of the Department work on more than one federal program, so their time is allocated to the federal program based on time charged on their timesheet. A payroll clerk summarizes timesheets for all employees whose payroll is distributed between programs. There is no independent review to ensure the payroll distribution entered on HRIS is correct and the correct federal program is being charged.

Recommendation – To strengthen controls, the Department should develop and implement procedures to segregate the duties of the Human Resources Associates from the duties of payroll. Also, an independent review should be performed and documented over the information entered into HRIS by the “acts for” employee and the payroll distribution information entered on HRIS.

Response – While it is possible documents reviewed for this audit evidenced the above recommendation, the Department has implemented a process for independent review of all timesheets which includes a verification of payroll funding. We plan on continuing this process.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

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**Other Findings Related to Internal Control:**

- (1) Contractual Agreements – Under the authority of Executive Order #25, the Department established a number of service contracts with outside parties during the year ended June 30, 2011. For 32 contracts tested, the following were identified:
- (a) The Department did not approve 17 contracts prior to the date of execution.
  - (b) Ten contracts did not have a completed SS-8 form on file, as required.
  - (c) 29 contracts did not include monitoring and review clauses, as required.
  - (d) Amendments to four contracts were not properly documented and approved.

In addition to the items noted above, six contract amendments were tested and the following were identified:

- (a) Three amendments were filed 14 days after the end date of the contract and were not authorized until 15 days after the end of the contract.
- (b) One amendment was filed prior to the end date of the contract, but was not authorized until 7 days after the end date of the contract.

Recommendation – The Department should ensure contracts and related amendments are properly approved and comply with the policies and procedures for contracts established by the Iowa Department of Administrative Services.

Response – The Department of Education agrees with this finding. The Department updated agency requirements for contracts in fiscal year 2010 and training of staff is an ongoing issue. The numbers above are better than prior years, but fall short of our goal of having no issues related to the above items. We believe the fiscal year 2012 audit will continue to show progress on these numbers as we work to eliminate any issues like this using our established processes and procedures.

Conclusion – Response accepted.

- (2) Written Policies and Procedures – Formal policies and procedures help to achieve uniformity/consistency in actions taken and aid in training additional or replacement personnel. During our review of the EDINFO web application and IT system controls, we noted a need for written policies and procedures in the following areas:
- Incident response procedures, including reporting, documenting, follow-up and management oversight.
  - Access control procedures related to authorizing, granting, documenting and removing access to the web application.
  - Documentation of actions taken for employee security violations.
  - Employee background checks.

## Report of Recommendations to the Iowa Department of Education

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- Guidance related to the segregation of incompatible duties and management oversight.
- Management oversight of access to and modification of sensitive or critical files and direct updates to the SQL tables.
- Maintaining security upon termination of employment, including the removal of the employee access rights to the system, the process for returning keys and the removal of key card access.
- Resetting employee passwords and password strength.
- Uniform systems development for new programs or changes to existing programs.

Recommendation – The Department should develop written policies and procedures to strengthen security and controls in these areas.

Response – The Department is in the process of updated processes and procedures related to access to the secure applications the Department manages. Standardization of access protocols related to our entry portal to the secure website will address most of these issues, but the Department will plan to formally write policies or address these issues in fiscal year 2012.

Conclusion – Response accepted.

- (3) Blackberry Cellular Phone Policy – The Department provides Blackberries for a number of employees for business use. Written policies governing the use of Blackberry cellular phones have not been adopted.

Recommendation – The Department should establish written policies governing the use of Blackberry cellular phones.

Response – The Department is in the process of developing a policy on this issue which should be formally adopted by August 2012.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

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**Finding Related to Statutory Requirements and Other Matters:**

Code of Iowa Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2011:

- (a) Chapter 19B.11 of the Code of Iowa requires each school district, area education agency and community college to submit a report to the Department detailing their equal employment opportunity programs and accomplishments. The Department is then required to prepare a compilation of these reports and submit it, along with a report of the Director's programs and accomplishments, to the Department of Management by January 31. This report has not been compiled or submitted.
- (b) Chapter 256.23 of the Code of Iowa requires the Department to establish a recruitment and advancement program to provide for the allocation of grants to schools. The Department has not established this program.
- (c) Chapter 256.38 of the Code of Iowa requires the Department to develop a statewide school-to-work transition system, which the Department has not developed.

Recommendation – The Department should take steps to ensure compliance with the Code of Iowa.

Response – Chapter 19B.11 does include the above citation. Chapter 19 is not an Iowa Department of Education chapter. The chapter also has the Department consult with the Iowa Department of Administrative Services on this issue. It also requires the report to be submitted to the Department of Management annually. We have never received a request for this report from either entity. It is our belief this is an outdated requirement which is covered by other processes at this point, which is why the Department of Management does not request this report annually.

Chapter 256.23 is outdated code and the Department has been actively attempting to get it removed from the Code for five years. The Department has been unable to get legislation passed to remove this section from the code. The Department will continue to pursue action on this code section.

Chapter 256.38 is outdated code and cannot be read in isolation. The Code of Iowa, Chapter 256.39 says "If the general assembly appropriates moneys for the establishment of..." It was clear to us 256.38 and 256.39 were not going to be done unless an appropriation was made for this purpose and that did not happen. As a result, the Department will not be implementing 256.38 without an appropriation for the purpose.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2011

**Staff:**

Questions or requests for further assistance should be directed to:

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