



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE July 15, 2004

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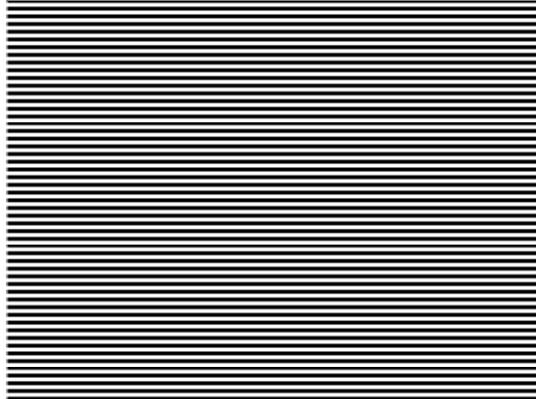
Auditor of State David A. Vaudt today released a report on the Office of Secretary of State for the year ended June 30, 2003.

The Secretary of State is the State Elections Commissioner, directs the State Land Office and issues commissions for Iowa notaries public. In addition, the Office of Secretary of State receives and processes various reports and the related fees required of corporations, borrowers and lenders.

Vaudt recommended the Office of Secretary of State improve controls over accounts receivable.

A copy of the report is available for review in the Office of Secretary of State or the Office of Auditor of State.

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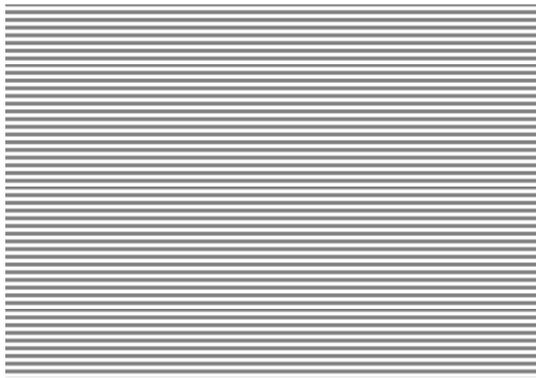
**REPORT OF RECOMMENDATIONS TO THE
OFFICE OF SECRETARY OF STATE**

JUNE 30, 2003

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



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April 22, 2004

To the Honorable Chester J. Culver, Secretary of State:

The Office of Secretary of State 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, 2003.

In conducting our audit, we became aware of an aspect concerning the Office of Secretary of State's operations for which we believe corrective action is necessary. As a result, we have developed a recommendation which is reported on page 5. We believe you should be aware of this recommendation which pertains to the Office of Secretary of State's internal control. The recommendation has been discussed with Office of Secretary of State personnel and their response to the recommendation is included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Office of Secretary of State, citizens of the State of Iowa and other parties to whom the Office of Secretary of State 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 of Secretary of State 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 of Secretary of State are listed on page 6 and they are available to discuss this matter with you.

Handwritten signature of David A. Vaudt.

DAVID A. VAUDT, CPA
Auditor of State

Handwritten signature of Warren G. Jenkins.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Cynthia P. Eisenhauer, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Office of Secretary of State

Report of Recommendations to the Office of Secretary of State

June 30, 2003

Findings Related to Internal Control:

Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine that 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 of Secretary of State’s financial statements.

One employee of the Office of Secretary of State receives payments on accounts receivable from the mail opener, prepares the deposit for those receipts and posts the payments to the accounts receivable system.

Recommendation – Adequate segregation of duties should be established so the same person does not receive payments on account, prepare the deposit and post the payments to the accounts receivable system.

Response – We realized this could be a problem and began working in fiscal year 2004 to correct this problem in fiscal year 2005. We are researching the possibility of running all receivables through the cash register, allowing automated posting and creating the capability to reconcile all receivables with I/3 on a monthly basis.

Conclusion – Response accepted.

Report of Recommendations to the Office of Secretary of State

June 30, 2003

Staff:

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager
Jennifer Campbell, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Kelly V. Rea, CPA, Staff Auditor
Ryan J. Johnson, Assistant Auditor