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NEWS RELEASE

FOR RELEASE _____

July 16, 2004

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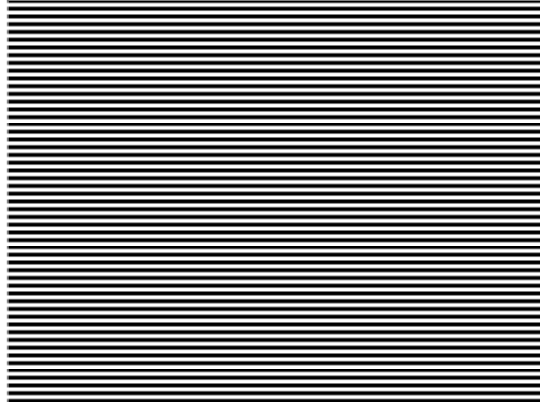
Auditor of State David A. Vaudt today released a report on the Iowa Department of Public Health for the year ended June 30, 2003.

The Department exercises general supervision over public health programs, promotes health and sanitation, carries out specific responsibilities required by law and administers state and federal laws related to public health and vital records. The Department also exercises administrative authority over the medical, dental, pharmacy and nursing boards.

Vaudt recommended the Department improve controls over payroll and cash receipts and expenditures at certain Boards. In addition, the Department should implement procedures to ensure receipts from vital records are reconciled to hospital reports and subrecipients are adequately reviewed to ensure compliance with federal guidelines. The Department responded that corrective action is being implemented.

A copy of the report is available for review in the Iowa Department of Public Health or the Office of Auditor of State.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF PUBLIC HEALTH**

JUNE 30, 2003

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
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March 9, 2004

To Dr. Mary Minser Hansen, Director of the
Iowa Department of Public Health:

The Iowa Department of Public Health 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, 2003.

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, as well as other recommendations pertaining to the Department's internal control, 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.

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 Public Health, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Health 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 10 and they are available to discuss these matters with you.

Handwritten signature of David A. Vaudt in black ink.

DAVID A. VAUDT, CPA
Auditor of State

Handwritten signature of Warren G. Jenkins in black ink.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

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

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2003

Findings Reported in the State's Single Audit Report:

CFDA Number: 93.268 – Immunization Grants

Agency Number: H23/CCH400210-01

Federal Award Year: 2003

State of Iowa Single Audit Report Comment: 03-III-HHS-588-1

- (1) 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 Department's financial statements. Generally, one employee has access to the inventory and inventory records and is responsible for recording of inventory activity.

Recommendation – Adequate segregation of duties should be established so that the same person is not responsible for the inventory and recording of inventory.

Response and Corrective Action Planned – The Immunization Program will implement the following activities to address the concerns as outlined above regarding the segregation of duties.

Bulk vaccine shipments from vaccine manufacturers will be received by two Immunization Program employees. Documentation of the doses received, lot number, expiration date, date and time received and both employees initials shall be recorded on the products packing slip.

Receipt of bulk vaccine shipments will be entered in the Vaccine Management (VACMAN) software program by an individual other than the person responsible for generating shipping invoices and filling vaccine orders.

When filling vaccine orders the shipping invoice and product selected will be reviewed by an individual other than the person responsible for generating shipping invoices and filling vaccine orders. This review will involve verifying that the products selected are on the shipping invoice and are the correct quantity and lot number. The person reviewing the vaccine order shall initial and date the shipping invoice verifying the vaccine order is correct.

Quarterly, an individual other than the person responsible for generating shipping invoices and filling vaccine orders will select a random week within the quarter and generate a comprehensive provider distribution report including any stock adjustments. The report will be cross-referenced with individual shipping invoices to verify vaccine orders by product, number of doses, and lot number. The individual completing the report shall date and initial the document and record any discrepancies. Reports and documentation should be maintained and made available upon request.

Hand counts of inventory will continue to be conducted monthly and compared to VACMAN generated inventory reports.

Conclusion – Response accepted.

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Iowa Department of Public Health

June 30, 2003

CFDA Number: 93.268 – Immunization Grants

Agency Number: H23/CCH400210-01

Federal Award Year: 2003

State of Iowa Single Audit Report Comment: 03-III-HHS-588-2

- (2) Subrecipient Monitoring – OMB Circular A-133 and 45 CFR 92.20 b(3) require the pass-through entity to be responsible for monitoring the activities of the subrecipients, as necessary, to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of the contract or grant, including adequately safeguarding property against theft. The Department performs quality assurance visits to all recipients, which include reviewing the facility for the proper storage temperature of vaccines. However, these visits do not address if proper safeguard measures have been established to avoid the risk of loss from theft.

Recommendation – The Department should ensure all applicable federal requirements are monitored during quality assurance visits.

Response and Corrective Action Planned – A question regarding proper safeguard measures is not included as part of the Vaccine for Children (VFC) Provider Site Visit Questionnaire. The questionnaire and database where the information is entered is a product of the Centers for Disease Control and Prevention (CDC). Documentation regarding vaccine storage and handling from the CDC does not address safeguard measures to prevent the risk of loss from theft.

Generally, provider storage units are in areas that are secure from access by the general public. Storage units are kept in locked rooms, have locks on the units and are maintained in buildings that have a variety of security measures.

A question addressing this situation can be added to the VFC Provider Site Visit Questionnaire. The Immunization Program will develop minimum standards to address proper safeguards to avoid the risk of loss from theft. The question will be added to the Quality Assurance Training Manual and staff will be trained appropriately.

Conclusion – Response accepted.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2003

CFDA Number: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse

Agency Number: 01-B1-IA-SAPT-02

Federal Award Year: 2002

State of Iowa Single Audit Report Comment: 03-III-HHS-588-15

- (3) Level of Effort – OMB Circular A-133 Compliance Supplement for the above program states, in part, the state shall for each fiscal year maintain aggregate state expenditures for authorized activities by the Department at a level that is not less than the average level of such expenditures maintained by the state for the two state fiscal years preceding the fiscal year for which the state is applying for the grant. The minimum level of effort as required by the grant was not maintained.

Recommendation – The Department should closely monitor the level of effort to ensure compliance with the federal award.

Response and Corrective Action Planned – The Department closely monitors the expenditures and has informed the appropriate state authorities (i.e. Governor, Legislators and the Department of Management) of the potential loss of federal funds due to state budget cuts. In addition, a waiver has been requested and received for a subsequent year grant.

Conclusion – Response accepted.

Findings Related to Internal Control:

- (1) Segregation of Duties – Payroll – During our review of internal control, the existing control activities 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 Department's financial statements. One employee of the Department can initiate and approve payroll transactions on the Human Resource Information System (HRIS).

Recommendation – Duties should be segregated so the same person does not initiate a transaction and also approve payroll transactions.

Response – Instances do occur in which the same employee initiates and approves another staff member's timesheet due to staff not having access to the HRIS system and/or absentee employees. When this occurs, staff entering the information will be instructed to maintain support received and enter remarks on the HRIS system, which will provide additional information for the occurrence. In addition, personnel staff will check timesheets to ensure that proper approvals and/or remarks have been entered for all IDPH employees' timesheets.

Conclusion – Response accepted.

- (2) Segregation of Duties - Boards – During our review of 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

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2003

of the financial statements. Generally, one individual at the Board of Pharmacy Examiners and Board of Dental Examiners may have the responsibility for receiving cash, preparing deposits, reconciling bank and book balances and recording and accounting for cash receipts.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each Board should review its operations to obtain maximum internal control possible under the circumstances. The official should utilize current personnel 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. The enacted appropriation bill for the Department for the year ended June 30, 2003 states, in part, “The board of medical examiners, the board of pharmacy examiners, the board of dental examiners and the board of nursing shall retain their individual executive officers, but are strongly encouraged to share administrative, clerical and investigative staffs to the greatest extent possible.”

Response:

Board of Pharmacy Examiners – The administrative assistant for the Board of Pharmacy Examiners will continue to periodically review and reconcile daily receipts and reports independently of the employees responsible for receiving and processing applications and fees. The daily processing report will be initialed and dated to document such review and reconciliation. The administrative assistant also will continue to reconcile monthly receipts and revenues.

Board of Dental Examiners – In June of 2003, the Board of Dental Examiners consulted with staff in the State Auditor’s Office regarding this issue and revised its internal controls to address this issue.

Conclusion – Responses accepted.

- (3) Segregation of Duties – Medical Board – During our review of 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, safeguards the Board’s assets.

One employee at the Medical Board has the capability to order, approve and record supply purchases. In addition, the supplies are generally received by the same employee.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Board should review its procedures to obtain maximum internal control possible under the circumstances.

Response – Effective immediately, the Medical Board will increase the number of staff members involved in the purchasing process to ensure adequate segregation of duties.

Conclusion – Response accepted.

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June 30, 2003

- (4) Vital Records – Summary Fee Report Reconciliation – Birth Certificates are issued by the Iowa Department of Public Health (IDPH) from information entered into the Departments database by the hospital where the child was born. Each day, an employee of IPDH – Vital Records staff runs a detail listing or “receiving log”. This log details, by hospital, those individuals issued a birth certificate. After the birth certificate is issued the Department receives a “summary report - birth registration fee and copy of birth certificate fee”, from each hospital, which identifies the individuals who have paid or have had the fees associated with issuing a birth certificate waived.

Although there are procedures in place, the Department did not perform a reconciliation between the receiving log and the summary reports submitted by the hospitals.

Recommendation – The Iowa Department of Public Health should ensure a reconciliation is completed between the receiving log printout and the summary reports submitted by the hospitals to help ensure funds are properly received.

Response – Effective May 3, 2004, the duties of 2 staff will be reassigned to ensure this information is reconciled in a timely manner.

Conclusion – Response accepted.

- (5) Subrecipient Monitoring – The Iowa Department of Public Health received two Bioterrorism grants from the Centers for Disease Control in fiscal year 2003. The funds were awarded to counties and regions within the state to upgrade state and local public health jurisdictions’ preparedness for and response to Bioterrorism, other outbreak of infectious disease and other public health threats and emergencies. The program addresses the “Healthy People 2010” priority areas of immunization and infectious diseases, environmental health, public health infrastructure, and surveillance and data systems. This program also implements selected activities authorized under the Public Health Service Act.

No monitoring visits were conducted at subrecipient sites during fiscal year 2003.

Recommendation – The Iowa Department of Public Health should develop procedures to monitor its Bioterrorism grant subrecipients.

Response – Monitoring visits have been scheduled and are currently being conducted by the management officer for these grants.

Conclusion – Response accepted.

- (6) Capital Asset Reconciliation – The Department of Public Health records capital assets on Asset Manager, a data base that tracks the asset, date asset was purchased, purchase price, depreciation of the asset and identification of the asset. The Department did not reconcile additions per Asset Manager to current year equipment purchase expenditures.

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Recommendation – The Iowa Department of Public Health should ensure a reconciliation between additions per Asset Manager and current year equipment and purchase expenditures are completed by an individual not responsible for the purchasing, recording and custody of capital assets.

Response – The Department has historically prepared this reconciliation, but it wasn't prepared in fiscal year 2003 due to time limitations. In the future, the Department will prioritize this procedure to ensure it is prepared.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the

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Staff:

Questions or requests for further assistance should be directed to:

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Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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Ryan J Johnson, Assistant Auditor
Candice R. Meester, Assistant Auditor
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