



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE July 21, 2004

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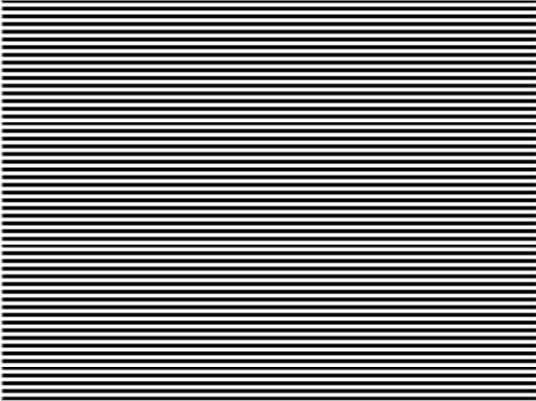
Auditor of State David A. Vaudt today released a report on the Iowa Department of Education for the year ended June 30, 2003.

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 develop procedures to ensure contracts are reviewed for reasonableness, are cost effective and services contracted for are provided in accordance with the contract. In addition, the Department should develop and implement procedures for monitoring the Technology Literacy Challenge Fund Grants and Improving Teacher Quality State Grants. The Department responded favorably to the recommendations.

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

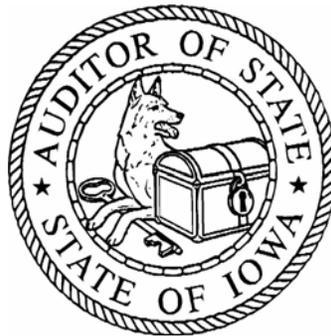
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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF EDUCATION**

JUNE 30, 2003

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



**David A. Vaudt, CPA
Auditor of State**





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March 10, 2004

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, 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 within 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 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 9 and they are available to discuss these matters 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

June 30, 2003

Findings Reported in the State's Single Audit Report:

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

Agency Number: S010A020015

Federal Award Year: 2002

State of Iowa Single Audit Report Comment: 03-III-USDE-282-1

- (1) Allocation Approval – The Department allocates Title I funds to each Community School District (CSD) based on a formula using a per pupil amount. Department procedures for the program require an independent employee to review the allocation calculation. Evidence of the review could not be obtained.

Recommendation – The Department should ensure the review process is performed and documented to ensure allocations are properly calculated.

Response and Corrective Action Planned – The Department will implement procedures for both the Title I Administrative Consultant and the Title I Accounting Technician to review and document the review for the Title I allocation calculations and tables.

Conclusion – Response accepted.

CFDA Number: 84.027 – Special Education – Grants to States

Agency Number: H027A020097

Federal Award Year: 2002

CFDA Number: 84.173 – Special Education – Preschool Grants

Agency Number: H173A020102

Federal Award Year: 2002

State of Iowa Single Audit Report Comment: 03-III-USDE-282-2

- (2) Child Count – Area Education Agencies submit child count reports to the Department by child age and disability which the Department utilizes to prepare a summary report. The summary report did not agree to supporting documentation and Department personnel could not provide an explanation for the variance.

Recommendation – The Department should implement procedures to ensure that the individual child count reports agree to the summary report.

Response and Corrective Action Planned – The Department agrees with the comment and recommendation. Software and reports were revised following the completion of the 2002-2003 child count and reporting cycle. The programming revisions were in place for the 2003-2004 child count cycle and all of the individual reports now agree with the summary reports.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2003

CFDA Number: 84.318 – Technology Literacy Challenge Fund Grants

Agency Number: S318X020015

Federal Award Year: 2002

State of Iowa Single Audit Report Comment: 03-III-USDE-282-3

- (3) Documentation of Monitoring – OMB Circular A-133 requires the pass-through entity to be responsible for monitoring the activities of the subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of the contract or grant. The Department has established monitoring procedures. However, no documentation is prepared or retained for the monitoring performed.

Recommendation – The Department should prepare and retain documentation of monitoring performed.

Response and Corrective Action Planned – The Department has established a team of three reviewers for all grant monitoring of Technology Literacy Challenge Fund grants. The Department will collect the feedback from the reviewers and retain all feedback forms for the monitoring activity that takes place each April/May and October/November of each year.

Conclusion – Response accepted.

CFDA Number: 84.367 – Improving Teacher Quality State Grants

Agency Number: S367A020014

Federal Award Year: 2002

State of Iowa Single Audit Report Comment: 03-III-USDE-282-6

- (4) Application Approval – Department procedures require the applications submitted by each Community School District (CSD) be reviewed and approved. Evidence of the review and approval by Department staff was not documented on the application.

Recommendation – The Department should ensure the review and approval process of applications is performed and documented.

Response and Corrective Action Planned – The documentation procedure necessary for this program was implemented in 2003 and will be continued. All applications received from school districts in the department have always been reviewed for approval. This practice will continue, as well. As of this past year (2003), each application was stamped with a date stamp upon receipt and identified as approved. The corrective action taken for this item was implemented October 1, 2003 and will be continued. It includes not only the date stamp, but the initials of the reviewer signifying approval.

Conclusion – Response acknowledged. Based on discussion with program personnel and observation of the applications, the date stamp was present, but documentation of the approval after the application was reviewed was not found. The Department should ensure the review and approval is documented.

Report of Recommendations to the Iowa Department of Education

June 30, 2003

CFDA Number: 84.367 – Improving Teacher Quality State Grants

Agency Number: S367A020014

Federal Award Year: 2002

State of Iowa Single Audit Report Comment: 03-III-USDE-282-7

- (5) Subrecipient Monitoring – OMB Circular A-133 requires the pass-through entity to be responsible for monitoring the activities of the subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of the contract or grant. The Department has not established written procedures for monitoring subrecipients.

Recommendation – The Department should establish written procedures for monitoring subrecipient compliance with applicable federal requirements so it is clearly and consistently documented.

Response and Corrective Action Planned – The corrective action for this item is the implementation of written procedures for monitoring the Title II, Part A program. Written procedures for monitoring this program are currently in development and will be fully implemented by October 1, 2004.

- Issues of concern for this program are communicated to the Iowa Department of Education School Improvement Consultant. These concerns or questions are then communicated to the Department Title II, Part A coordinator for monitoring and resolution with the district.
- Applications for Title II, Part A funds reflect the requirements for the program. It is clear to the districts applying for funds that the process necessary to access those funds includes filing an application with the Iowa Department of Education for approval.
- All districts are required to sign off on assurances with the Iowa Department of Education. These assurances guarantee districts will comply with the program requirements in order to receive funds.
- The auditors at the local school district level verify that Local Education Agencies are meeting requirements. These requirements can be accessed by the districts and auditors at www.ed.gov/policy/elsec/leg/esea02/pg20.html. The information on this federal web site, including the program guidance, has been distributed to school districts statewide. It is also identified on the Iowa Department of Education web site under Title II, Part A program information.

Conclusion – Response acknowledged. The Department should establish written procedures for monitoring compliance. The items identified as currently in place are a good start to monitoring. However, they can not be substituted for monitoring throughout the year. In addition, audits performed on the community school districts (CSD's) can not solely be relied upon since less than ten CSD's received more than \$300,000 in program funds. Monitoring should be done throughout the program, not only at the beginning of the program year.

Report of Recommendations to the Iowa Department of Education

June 30, 2003

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, 2003. Of the 317 contracts tested, the following items were identified:
- (a) For 20 of the contracts that could have been performed internally, written documentation was not available to demonstrate the Department had performed analyses to determine whether it was more cost beneficial to contract for the services rather than perform the task internally.
 - (b) The Department did not approve 197 contracts prior to the date of execution.
 - (c) Iowa Department of Revenue and Finance’s Accounting Policy and Procedures Manual, section 240.102, states a sole source selection may be used if the contractor is the “most qualified or eligible to perform the service” or the contractor “by virtue of experience, expertise, or proximity to the project, could most satisfactorily provide the service/product.” Of the 123 contracts tested indicating sole source, 51 did not appear to qualify under either of the stated criteria.
 - (d) Of the 149 contracts requiring a pre-contract questionnaire, 73 were completed after the contract was approved and 8 were not completed.
 - (e) For 34 of the contracts reviewed, the scope of work was too vague or did not include a detailed description of the specific work to be completed to enable the Department to ensure the services received met the intended objectives of the contract.
 - (f) Of the 98 contracts amended, two were not timely and 27 did not contain documentation to determine the reasonableness as related to dollar amount, timeline and purpose of amendment.

Recommendation – The Department should develop procedures to ensure contracts are reviewed for reasonableness, are cost effective and services contracted for are provided in accordance with the contract. The Department should also ensure contracts are an appropriate utilization of public funds, are properly approved and comply with the policies and procedures for contracts established by the Iowa Department of Revenue and Finance.

Response – The Department acknowledges the auditor’s comments. The Department has implemented and published procedures addressing the current requirements for service contracting. Those procedures have been reviewed with all staff and are published on the Department’s network. The Department’s contract team continues to work to identify areas of improvement and to develop and refine the Department’s procedures so all state policies are addressed.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2003

Findings Related to Statutory Requirements and Other Matters:

- (1) Code Compliance – 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 school corporations. The Department has not established this program.

Recommendation – The Department should implement procedures to ensure compliance with the Code of Iowa.

Response – Chapter 256.23, Code of Iowa was established by the legislature but no funding for the purposes of this section has been appropriated. Until funds are appropriated to carry out the mandates of this section, the Department is unable to comply with the statute.

Conclusion – Response acknowledged. The Department should take the necessary action to obtain funding or seek to have the requirement removed from the Code of Iowa.

Report of Recommendations to the Iowa Department of Education

June 30, 2003

Staff:

Questions or requests for further assistance should be directed to:

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