

# OFFICE OF AUDITOR OF STATE

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## NEWS RELEASE

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Auditor of State Mary Mosiman today released a report on a review of certain expenditures made by the Iowa Department of Public Health (IDPH) and the 4 Boards which function under the IDPH, consisting of the Iowa Board of Pharmacy (Pharmacy), the Iowa Dental Board (Dental), the Iowa Board of Medicine (Medicine), and the Iowa Board of Nursing (Nursing), from July 1, 2011 through August 31, 2014.

The review was performed as a result of concerns raised regarding employee reimbursements for certain technology purchases. Mosiman reported employee reimbursements totaling \$42,553.00 were identified for Pharmacy for the purchase of equipment, internet and mobile broadband charges, and office supplies. Specifically, the reimbursements included the purchase of:

- 24 iPads for \$19,666.00,
- 12 printers for \$5,072.44,
- 5 scanners for \$2,846.83,
- a MacBook Pro for \$1,499.00,
- a Dell laptop for \$1,369.99, and
- an iMac computer for \$1,199.00.

Mosiman also reported certain Pharmacy and Medicine staff are assigned multiple electronic devices capable of performing similar functions. The Pharmacy Director and each of the Pharmacy compliance officers confirmed they have a laptop computer, an iPad, an iPhone, a printer, and a scanner assigned to them. However, the employees acknowledged the iPad could not perform all the functions necessary for them to complete their daily job duties. During the period reviewed, Pharmacy had 28 full-time equivalent positions filled, including Board members, and purchased 28 iPads, including 4 purchased directly from the vendor. In addition, we

determined several of the items, such as the MacBook Pro and the iMac computer, were not being used by Pharmacy staff. Because employees had multiple devices and certain items purchased were not being used, the reasonableness and necessity of the purchases was not apparent.

In addition, Pharmacy pays 100% of the cost of data plans for the iPads provided and 100% of the cost of home internet service for the Director and the 7 compliance officers. The total cost of these services exceeded \$14,000.00 in fiscal year 2013. According to the Pharmacy Director, Pharmacy discontinued paying for iPad data plans and mobile broadband charges for the 7 compliance officers effective January 2014. Changes made appear to be the result of inquiries made during the review.

Mosiman reported neither IDPH nor any of the 4 Boards requested the appropriate variance for the iPads purchased in accordance with rule 11-25.11(2) of the Iowa Administrative Code. In addition, Pharmacy was not in compliance with the "State of Iowa Enterprise Laptop Data Protection Security Standard," which requires critical security patches be installed within 5 business days of release, laptops be erased or disabled after 10 unsuccessful password attempts, and the lock function be set after a maximum of 15 minutes of inactivity. Based on a review of the security policies provided by the 4 Boards, it appears they were created and/or approved after the Office of Auditor of State requested the documentation.

The report includes recommendations to strengthen internal controls and overall operations, including reviewing all expenditures to ensure they meet the test of public purpose, limiting employee reimbursements for the purchase of equipment and supplies, reviewing equipment purchases to ensure equipment distributed to staff maximizes efficiency but avoids duplication of function, and ensuring compliance with State policies regarding data protection security.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1560-5880-BOP1.pdf>.

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**REPORT ON A REVIEW  
OF  
CERTAIN EXPENDITURES BY THE  
IOWA DEPARTMENT OF PUBLIC HEALTH,  
INCLUDING  
THE IOWA BOARD OF PHARMACY,  
THE IOWA DENTAL BOARD,  
THE IOWA BOARD OF MEDICINE, AND  
THE IOWA BOARD OF NURSING  
FOR THE PERIOD  
JULY 1, 2011 THROUGH AUGUST 31, 2014**

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## Auditor of State's Report

To Gerd W. Clabaugh, Director of the  
Iowa Department of Public Health:

In conjunction with our audit of the financial statements of the State of Iowa and in accordance with Chapter 11 of the *Code of Iowa*, we examined certain expenditures for the Iowa Board of Pharmacy (Pharmacy), which functions under the Iowa Department of Public Health (IDPH). Specifically, concerns were identified regarding the Pharmacy Director and staff purchasing equipment and other items with personal credit cards and submitting the purchases for reimbursement on a travel payment.

Many of the purchases identified were for technology devices, such as iPads, a MacBook Pro, and a Kindle Fire. Because of the nature of the purchases, we expanded our testing to include the IDPH and the other 3 Boards which function under the IDPH, including the Iowa Dental Board, the Iowa Board of Medicine, and the Iowa Board of Nursing. As a result of the concerns identified, we performed the following procedures for the period July 1, 2011 through August 31, 2014:


- (1) Interviewed personnel from the IDPH and each of the 4 Boards to gain an understanding of the extent to which technology is used and the benefits provided by the different devices purchased.
- (2) Obtained the technology security policies implemented by the IDPH and each of the 4 Boards and compared them to the "State of Iowa Enterprise Laptop Data Protection Security Standard" (Standard) to determine whether the policies were sufficient and in compliance with the State's policy.
- (3) Obtained a listing of detailed expenditures for each of the 4 Boards and judgmentally selected transactions which appeared unusual in coding, amount or related to cell phones and data plans.
- (4) Reviewed all employee reimbursements coded to office supplies, communications, and postage to determine the public purpose and reasonableness of the reimbursements and selected certain employee reimbursements to determine the propriety and if they were properly supported.
- (5) Evaluated internal controls over the purchase and inventory of electronic equipment.
- (6) Observed and/or confirmed the equipment purchased by Pharmacy to determine the devices assigned to each individual, to determine the location of each device, and to evaluate the necessity of the devices assigned.
- (7) Distributed written questionnaires to the IDPH and the Directors of each of the 4 Boards to determine:
  - a. the number of iPads or other tablets purchased for employee use, if any,
  - b. whether an approval or justification process has been established,
  - c. the method of payment for devices purchased,
  - d. whether a security policy had been established,


- e. the employees to which the tablets were assigned and their respective job duties,
  - f. whether the usage of any tablets purchased was monitored, and
  - g. the benefits of purchasing tablets instead of laptop computers.
- (8) Distributed written questionnaires to the IDPH and the Directors of each of the 4 Boards to determine:
- a. the data plans purchased for all iPhones, iPads, and any other smartphones and/or tablets assigned to employees,
  - b. the method of payment for the data plans purchased,
  - c. whether any employees maintain home offices and the necessity of doing so,
  - d. whether home internet service and/or mobile broadband is provided for employees maintaining home offices, and
  - e. the authorization for the home offices.
- (9) Distributed written questionnaires to all Pharmacy compliance officers to determine:
- a. the devices they were provided, such as a laptop, an iPad, an iPhone, or a combination,
  - b. how each device assigned is used,
  - c. the advantages and/or disadvantages of using a laptop computer compared to an iPad in relation to their job duties, and
  - d. how the iPhone assists them with their normal job duties.

These procedures identified several internal control weaknesses. Our detailed findings and recommendations are presented in the Detailed Findings and Recommendations section of this report.

The procedures we performed do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Department and each of the 4 Boards, other matters might have come to our attention that would have been reported to you.

We would like to acknowledge the assistance and many courtesies extended to us by officials and staff of the Iowa Department of Public Health, the Iowa Board of Pharmacy, the Iowa Dental Board, the Iowa Board of Medicine, and the Iowa Board of Nursing during the course of our review.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 23, 2015

Iowa Department of Public Health  
Detailed Findings and Recommendations

The Iowa Department of Public Health (IDPH) is organized into 6 divisions and states its mission as “promoting and protecting the health of Iowans.” In addition, there are 4 Boards which function under IDPH, consisting of the Iowa Board of Pharmacy (Pharmacy), the Iowa Dental Board (Dental), the Iowa Board of Medicine (Medicine), and the Iowa Board of Nursing (Nursing). Each of the 4 Boards is responsible for regulating its specific industry and overseeing the licensure of the practitioners.

We reviewed the procedures used by IDPH and each of the 4 Boards to process disbursements and purchase equipment. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and operations detailed below, the following recommendations are made to strengthen the controls of IDPH and each of the 4 Boards.

- (A) Pharmacy Purchases of Equipment and Supplies – Purchases of equipment and supplies should be processed in a manner which maximizes economy and efficiency. Purchasing using established state contracts can save money and effort on the part of the purchasing agency.

We reviewed 40 Pharmacy employee reimbursements totaling \$42,553.00 for purchases of equipment, internet and mobile broadband charges, office supplies, and postage for the period July 1, 2011 through June 30, 2012. Specifically, the reimbursements included the purchase of:

- 24 iPads for \$19,666.00,
- 12 printers for \$5,072.44,
- 5 scanners for \$2,846.83,
- a MacBook Pro for \$1,499.00,
- a Dell laptop for \$1,369.99,
- an iMac computer for \$1,199.00,
- an HP desktop computer for \$749.99,
- 3 Garmin GPS navigators for \$749.97,
- 2 pair of Bose noise canceling headphones for \$599.90,
- 2 sets of Bose wireless speakers for \$598.00,
- a Kindle Fire for \$199.00,
- a Flip video camera and accessories for \$137.29,
- Microsoft Office for Mac for \$117.99, and
- Apple TV for \$99.00.

We also identified the purchase of several iPad, printer, and navigation accessories, such as smart covers, adapters, ink cartridges, external batteries, and protection plans. However, when we attempted to observe the external batteries, they could not be located. According to a representative of Pharmacy, a lot of rearranging had been done over the summer, and they had probably been misplaced. Additional significant equipment purchases made through employee reimbursements were not identified for the period July 1, 2012 through August 31, 2014.

During our review of supporting documentation for the purchases identified, we determined the Pharmacy Director purchased equipment and supplies totaling \$18,510.73 using his personal credit cards. We were unable to determine whether rewards points or other incentives, if any, were earned as a result of these purchases.

In addition, our initial attempt to observe the items purchased was unsuccessful because the Pharmacy IT Specialist was unaware the items had been purchased. Also, certain items had been shipped to the Pharmacy Director's home, and it was unclear whether those items were still at his home or had been brought into the Pharmacy office. During a subsequent visit, we were able to locate most of the items, and, except for a printer, we confirmed those items we were unable to observe. However, while conducting observations, we determined several of the items purchased were stored in a file cabinet or storage closet and did not appear to be used regularly. Specifically, according to the Pharmacy Director, the MacBook Pro, the iMac computer, Microsoft Office for Mac, the Flip video camera, and the Kindle Fire were purchased to test those platforms and determine whether they would fulfill the needs of Pharmacy employees. However, it was determined these items could not perform the functions needed. As a result, they were placed in storage and are not being used. The total cost of these items is \$3,165.25.

Because these purchases were made by Pharmacy employees and subsequently reimbursed through a travel payment (TP), we determined Pharmacy paid sales tax totaling \$412.14 on the purchases. If the items had been purchased by Pharmacy using a State procurement card or through the standard State expenditure process, sales tax would not have been incurred and paid. During our review of the other 3 Boards, the only other sales tax identified was \$10.95 incurred and paid by Dental.

Recommendation – When possible, equipment and office supplies should be purchased using a State procurement card or through the standard State expenditure process. In addition, established State contracts should be reviewed and used, as applicable, to ensure the best price is received. Employee reimbursements through TPs should not be used to routinely purchase supplies and equipment. In addition, only equipment which is reasonable and necessary for the completion of daily job duties by employees should be purchased. Pharmacy and Dental have a fiduciary responsibility to ensure all funds are spent in an efficient and effective manner.

Responses –

Pharmacy – Pharmacy hired new staff in 2011, and they were unaware of specific State purchasing procedures and requirements in the absence of purchasing contracts. Pharmacy functioned without an IT Specialist prior to August 2011. As soon as staff became aware of purchasing requirements in 2012, Pharmacy changed its procurement procedures to comply with State recommendations. Because Pharmacy was experiencing re-occurring problems with some Windows-based desktop computers and laptops, it turned to certain Apple products. Board members, staff, and 4 assistant attorney generals were equipped with new technology to better manage their increasing workload and to be more efficient. Equipment was purchased for use by Pharmacy's field staff of 8 compliance officers who constantly travel throughout the State and provide services in an assigned territory as well as statewide. Equipment was also purchased to allow and facilitate meetings via the internet in 2 Pharmacy conference rooms. The MacBook Pro, iMac computer, and Apple TV are currently used in the Pharmacy office to facilitate appearances, presentations, conferences, and meetings between licensees and registrants, members of the public, Board members, and pharmacy staff via the internet.



Dental – The \$10.95 sales tax incurred was reimbursement to field staff personnel who needed supplies in order to perform their jobs. One of the purchases in question consisted of a wiper blade replacement for a State vehicle, which was deemed an emergency need. There is a multi-level approval process built into all purchases made. While field staff always requests sales tax be removed from purchases when emergency situations arise, vendors do not always comply with such requests. It is the policy of Dental to minimize out-of-pocket purchases, which is evident by the low dollar value of sales tax incurred.

#### Conclusions –

Pharmacy – Response acknowledged. However, the provision of new equipment to staff did not eliminate the need for the old technology. According to the responses on the written questionnaires, the new technology is not capable of performing all necessary functions. As a result, the old technology is still being used as well, which makes the cost effectiveness of the purchases unclear. In addition, during fieldwork, Pharmacy staff indicated the MacBook Pro, iMac computer, and Apple TV were not being used, which was the basis for the finding.

Dental – Response accepted.

(B) Duplication of Resources – Office and field staff at the IDPH and each of the 4 Boards are assigned equipment to perform their daily job duties. However, the purchase of equipment which duplicates a function already provided by existing equipment may not meet the test of public purpose as defined in an Attorney General’s opinion dated April 25, 1979. During our review, we identified the following:

- Certain Pharmacy and Medicine staff are assigned multiple electronic devices capable of performing similar functions. The Pharmacy Director and each of the 7 Pharmacy compliance officers confirmed they have a laptop computer, an iPad, an iPhone, a printer, and a scanner assigned to them. According to a Pharmacy compliance officer, she only uses the laptop computer assigned to store electronic files. The Pharmacy Director also has a desktop computer at his home office, and certain compliance officers have an additional printer compatible with the iPad, GPS navigation units, and/or Bose wireless speakers.

We identified several other Pharmacy employees who have both a laptop computer and an iPad assigned to them. According to the responses to the written questionnaires we distributed, the employees acknowledged the iPad could not perform all the functions necessary for them to complete their daily job duties, which required them to have a laptop computer as well. However, they indicated an iPad was more convenient to carry with them than a laptop computer. During the period of our review, we determined Pharmacy had 28 full-time equivalent positions filled and had purchased 28 iPads, including 4 purchased directly from the vendor. Of those, 2 iPads were stolen and 2 iPads are held in the storage room as reserve.

In addition, certain Medicine employees had a desktop computer, a laptop computer, and an iPhone assigned to them.

- Pharmacy pays 100% of the cost of data plans for the iPads provided and 100% of the cost of home internet service for the Director and the 7 compliance officers. In addition, Pharmacy paid mobile broadband fees for 3 of these 8 employees and 100% of the cost of iPhones and the related data plans for 17 employees. The total cost of these services exceeded \$14,000.00 in fiscal year 2013. An analysis was not performed to compare personal use to business use for these devices.

According to the Pharmacy Director, Pharmacy discontinued paying for iPad data plans and mobile broadband charges for the 7 compliance officers effective January 2014. The changes made appear to be the result of inquiries we made during fieldwork. In addition, a Pharmacy representative stated a mobile device management program is being implemented which will allow Pharmacy to perform monitoring of device usage.

The Pharmacy Director also stated 5 of the compliance officers receiving reimbursement of home internet costs reside in the Des Moines area. It is unclear why it is necessary for Pharmacy to provide home internet service for employees who are able to work from the Board office located in Des Moines. The total cost of home internet service provided in fiscal year 2013 exceeded \$4,600.00.

- Medicine maintains an inventory of 8 iPads available for staff to reserve for research, presentations, or travel. However, formal logs are not maintained to document the use of the iPads. As a result, we were unable to determine how frequently staff are using them. In addition, Medicine pays 100% of home internet costs for an employee.

Although it may not have been common for individuals to have home internet service when the Boards initially began reimbursing employees, home internet service has now become common around the world. As a result, the public purpose of reimbursing employees for home internet service is not clear.

Recommendation – Pharmacy and Medicine should review equipment purchases and assignments to ensure the purchases meet the test of public purpose and the equipment is distributed to staff in a manner which maximizes efficiency but avoids duplication of function. If the public purpose of a transaction, or group of transactions, is not clear, the public purpose should be clearly stated and included on the supporting documentation.

In addition, Pharmacy should review the propriety of costs paid for home internet service for the 5 compliance officers who reside in the Des Moines area and review the bills for Pharmacy-provided cell phones to determine the ratio of personal use to business use in order to determine whether it is reasonable to pay 100% of the costs. Pharmacy and Medicine should develop and implement a policy addressing whether employees are required to contribute toward the cost of the cell phones and home internet service.

Medicine should evaluate the necessity of maintaining an inventory of 8 iPads for use by staff when necessary.

Responses –

Pharmacy – The office does not have sufficient space to accommodate the 5 compliance officers (field staff) who reside in the Des Moines area. All field staff have always maintained a home office and have worked out of their homes. Pharmacy has always provided the equipment they need to perform their duties. The equipment needs of staff have changed as Pharmacy has moved to an ever-increasing digital work environment. The iPads are used primarily for efficient management of large-volume Board and committee meeting materials. Laptop and/or desktop computers are currently needed for other applications such as routine word processing, spreadsheets, and database applications. Pharmacy staff utilize State-issued iPads and cell phones exclusively for work purposes. Mobile device usage and costs are continually reviewed, and plans are changed or adjusted to achieve cost savings. Pharmacy staff maintain their own separate, private cell phones for their personal use.

Medicine – Staff members who are equipped with desktop and laptop computers and smartphones regularly work in and out of the office to perform their job responsibilities. Multiple platforms and formats of equipment are used to maximize efficient use of Medicine’s limited resources to respond to burgeoning and complex workloads. Smartphones are routinely used for communication in the field to provide responsive internal and external communications, including contact with the public. In 2013, Medicine had 16 iPads, 8 of which were unassigned but were available for staff use. In 2013-14, Medicine recycled 6 iPads. Today, Medicine has 10 iPads – 8 are assigned to the Iowa Physician Health Committee, 1 to the technology specialist, and 1 for use by staff. This unassigned iPad can be signed out through an e-mail request to the specialist. The iPads have proven to be a useful convenience for staff who travel to meetings and training and who want to have mobile e-mail without the need to carry a heavier laptop through airport security, for example. Some of the iPads are subscribed to data plans so staff can utilize them without the inconvenience sometimes associated with connecting to WiFi. Both iPads and smartphones are used to photograph records, office settings, and other evidence collected in the course of investigations.

The State’s policy does not provide guidance or direction on a percentage reimbursement. If it’s the Board’s prerogative to define how percentage reimbursements are determined, we can develop a policy. Medicine would prefer the State amend its policy on qualified reimbursements for home internet expense, providing direction. The public purpose of home internet reimbursement is expressed in Medicine’s overarching goal to make the most effective and efficient use of the resources we have to protect the public’s health through enforcement of State rules and laws governing the practice of medicine in Iowa.

Conclusions –

Pharmacy – Response acknowledged. However, as previously stated, although it may not have been common for individuals to have home internet service when initially reimbursing employees, home internet service has now become common around the world. As a result, the public purpose of reimbursing employees for home internet service is not clear. In addition, during the period reviewed, Pharmacy did not have technology in place to monitor device usage. As a result, it was not possible to determine if State-issued equipment was used exclusively for work purposes.

Medicine – Response acknowledged. However, as previously stated, equipment purchases and assignments should be reviewed to ensure the purchases meet the test of public purpose and avoid duplication of function. If the public purpose is not clear, it should be clearly stated and included on the supporting documentation for the purchase. In addition, as previously stated, because home internet service has now become common around the world, the public purpose of reimbursing employees for home internet service is not clear.

(C) Security Policies – We compared the security policies implemented by the IDPH and each of the 4 Boards to the “State of Iowa Enterprise Laptop Data Protection Security Standard” (Standard) developed by the Department of Administrative Services (DAS). This Standard specifies the term, “laptop computer includes a tablet computer, netbook, iPad and similar device.” During our review, we identified the following:

- The Standard states, “all laptop computers shall be encrypted” and “pre-boot user authentication must be used by the encryption software.” However, rule 11-25.11(2) of the Iowa Administrative Code provides for variances from the established security standards. Variance requests must be submitted in

writing to the Chief Information Security Officer (CISO) prior to implementation.

We determined neither IDPH nor any of the 4 Boards requested the appropriate variance for iPads prior to their purchase and assignment. According to a representative of the Information Security Office, although a few iPads have been approved, they are considered insecure because the encryption is not sufficient to protect the data.

- The Standard states, “Strong passwords must be used with laptops. Passwords must be:
  - a. At least 8 characters.
  - b. A mix of numbers and letters.
  - c. Have at least one special character.”

At the time of our review, neither the IDPH nor any of the 4 Boards met all of the requirements for a strong password.

- The Standard requires all laptops to have the latest critical security patches installed within 5 business days of release, to be erased or disabled after 10 unsuccessful password attempts, and to be set to lock after a maximum of 15 minutes of activity. Pharmacy is not in compliance with these requirements. However, according to a Pharmacy representative, staff is in the process of implementing a mobile device management program which will enable them to comply.
- Based on a review of the security policies provided, the Medicine policy addressing iPads, dated January 1, 2013, appears to have been created and/or approved after we began performing procedures. In addition, the iPad policies for the other 3 Boards appeared to have been created and/or approved after we requested them. Written questionnaires were sent to the Director of each of the 4 Boards on February 5, 2013. The policy provided by Nursing did not have an effective date but was marked as revised in February 2013. The policy provided by Pharmacy did not have an effective or revision date; however, according to the Director, the policy was approved on February 25, 2013. In addition, the effective date of the policy provided by Dental was March 11, 2013.

Recommendation – The IDPH and each of the 4 Boards should ensure they are in compliance with the State’s Standard. Policies regarding data security should be developed and implemented in a timely manner. In addition, after policies have been established, the policies should be periodically reviewed to ensure they comply with any revisions made to the State’s Standard.

Responses –

IDPH – IDPH will seek approval from the Office of the Chief Information Officer in the future (prior to the purchase of additional iPads). Furthermore, IDPH will review its policies regarding passwords and application of critical security patches to ensure the State’s standards are met.

Pharmacy – Pharmacy has implemented stronger passwords for devices which now meet the State standard. A mobile device management program has also been implemented. Pharmacy will review policies periodically to ensure compliance with revised State standards.

Dental – Dental owns 1 iPad which now requires a strong password. Dental submitted a variance to the CISO on December 16, 2010, which was approved on December 29, 2010. This was to authorize testing of an iPad. At the conclusion

of testing, Dental received notification from the CISO on February 14, 2011 stating, "The Apple iPad does not comply with the laptop data protection or removable storage standards. The Apple iPad does comply with the mobile device security standard." Since that date, Dental has ensured the mobile device security standard is met.

Medicine – Medicine purchased iPads in May 2011 and June 2012. At that time, staff was unaware such a variance existed; and, to our knowledge, there was no enterprise security standard for iPads or tablet devices. As previously stated, 8 of the 10 iPads are assigned to members of the Iowa Physician Health Committee for their committee work. These members receive one-on-one training emphasizing appropriate usage and security.

Medicine's technology use and security policies are constantly evolving, and we will have upgraded the password policy specifically by March 13, 2015, which will require all passwords be at least 8 characters. A technology equipment use and security policy was discussed by the Board's executive committee at meetings in June 2012 and September 2012, as noted on agendas of these meetings. At the time, Medicine had a piecemeal approach on Board member training and was trying to determine what should be covered in the training. The portable equipment and devices policy became effective January 1, 2013, but it was evolving before the audit inquiries were made. Medicine's computer, internet, and e-mail usage policy, dated March 4, 2013, is a revision of several earlier policies which were consolidated into a single document. Policies (technology, workplace, etc.) are discussed annually with staff, Board and committee members.

Nursing – Nursing will ensure IT policies are in place and reviewed on a regular basis. iPads will continue to be utilized solely for e-mails, and no confidential data is stored or transmitted using an iPad. Additionally, Nursing has added, and will enforce, a policy requiring use of strong passwords on iPads.

#### Conclusions –

IDPH, Pharmacy, Medicine, and Nursing – Responses accepted.

Dental – Response acknowledged. According to a representative of the CISO, variance requests to test a product are typically granted. However, a second variance request is to be submitted for the purchase of the product. Dental did not submit this second request. In addition, the CISO representative stated iPads were specifically included under the laptop data protection standard and must comply with those standards. However, the CISO representative further stated iPads are not capable of meeting this standard, but there are other tablets which are.

- (D) Telework Agreements – According to section 220.500, "Employee Expenses – Telework Program," of the State Accounting Policy and Procedures Manual issued by the State Accounting Enterprise within DAS (DAS-SAE), a telework agreement is required for an employee to receive compensation when working at an alternate location. Specific guidelines and requirements for the telework program are established in section 18.05, "Telework Program," of the Managers and Supervisors Manual (Manual) implemented by the Human Resources Enterprise within DAS (DAS-HRE).

According to the Manual, "The State of Iowa assumes no responsibility for any operating costs associated with an employee using his or her personal residence as an alternative work site. This includes home maintenance, insurance, utilities,

telephone lines, etc. When a telework agreement is employer initiated, and an adequate internet connection is required to meet the work needs of the agency, the employee will be compensated monthly for the cost of an internet connection.... Compensation will be for the actual cost of internet charges and shall not exceed \$50 per month.”

The Pharmacy Director and 7 compliance officers were reimbursed for home internet service through a TP. In addition, 2 field staff for Medicine were reimbursed for home internet service through a TP. We also determined 3 Pharmacy employees receive reimbursement of actual costs which exceed the \$50.00 monthly maximum established in the DAS-HRE Manual. During fiscal year 2013, this resulted in payments exceeding the allowable maximum by \$687.24. Telework agreements were not in place for any of the compliance officers or the Pharmacy Director.

Recommendation – Pharmacy and Medicine should ensure approved telework agreements are established for all employees working from home and receiving reimbursement for home internet service. The telework compensation should be added to the employees’ taxable wages and processed through the State’s centralized payroll process. In addition, Pharmacy should ensure reimbursements are limited to the maximum of \$50.00 per month in accordance with the DAS-HRE Manual.

Responses –

Pharmacy – Pharmacy relied on information received from IDPH dated November 8, 2011 regarding internet services and the telework program. That information indicated billing for staff who were assigned to work from home on a full-time basis should continue on a TP. After learning of the DAS policy in 2013, telework agreements were instituted for compliance officers. They are now compensated through the centralized payroll process, and payments are limited to a maximum of \$50.00 per month. Compensation for internet services for the Director was discontinued in 2013.

Medicine – In 2012 and 2013, Medicine provided internet reimbursements through TPs to 2 field staff members. This reimbursement was based on specific directions to Medicine from IDPH and DAS. Medicine was told these 2 field staff members were exempt from the telework agreement. Consequently, reimbursements were filed and paid as TPs. On January 22, 2014, Medicine was notified by DAS-SAE of a policy change requiring the 2 field staff members to be under a telework agreement and their internet reimbursements to be considered taxable wages. All other qualified internet reimbursements paid to office staff were through telework contracts and paid as taxable wages.

Conclusion –

Pharmacy and Medicine – Responses acknowledged. However, based on a review of the correspondence provided by IDPH in November 2011, the response only applied to those individuals who were not assigned to work from home on a full-time basis. The compliance officers and field staff identified were working from home on a full-time basis. In addition, the DAS policy was officially issued on August 17, 2011 and was incorporated into the revised DAS-HRE Manual in January 2012. The policy specifically states internet compensation is to be added to the employee’s taxable wages.

(E) Data Plans and Cell Phones – During expenditure testing, we identified the following:

- Pharmacy had a 5 gigabyte mobile broadband plan which cost \$60.00 per month. However, according to the invoice tested for the period January 17, 2012 through February 16, 2012, only 34 megabytes, or 0.66%, of the plan were used.

In addition, we identified a cell phone invoice for the period September 4, 2011 through October 3, 2011 on which Pharmacy was charged \$75.35 for a line which had only 1 minute of calls. Another cell phone invoice reviewed for the period February 4, 2012 through March 13, 2012 included a line which had only 5 minutes of calls. According to the Pharmacy Director, both these lines were discontinued by January 2, 2014. We also identified a line marked as “stolen” for which the bill continued to be paid for 2 months.

- For Nursing, we identified a cell phone invoice for the period February 16, 2012 through March 15, 2012 on which 65 minutes, or 16.25%, of a 400 minute plan and 330 minutes, or 33%, of a 1,000 minute plan were used. We also identified a cell phone invoice for the period February 16, 2013 through March 15, 2013 on which 56 minutes, or 14%, of a 400 minute plan and 220 minutes, or 22%, of a 1,000 minute plan were used.
- For Dental, we identified a cell phone invoice for the period October 13, 2012 through November 12, 2012 on which 94 minutes, or 9.4%, of a 1,000 minute plan were used. We also identified a cell phone invoice for the period May 13, 2012 through June 12, 2012 on which 174 minutes, or 17.4%, of a 1,000 minute plan and 330 minutes, or 33%, of a 1,000 minute plan were used.

Recommendation – Pharmacy, Dental, and Nursing should periodically review cell phone and data plan usage to ensure they are purchasing the most cost effective plans which are reasonable and necessary for their employees to complete their daily job duties.

Responses –

Pharmacy – Pharmacy has discontinued data plans for iPads, except for a Board member’s iPad, and has implemented a new service plan for cell phones to achieve cost savings. Pharmacy has updated its processes to ensure invoiced services are routinely reconciled with equipment usage. Pharmacy will continue to periodically review cell plans for additional cost savings in the future.

Dental – Dental reviews cell phone and data plans on a yearly basis. Average usage in the last 12-month period, out of 2,000 shared minutes, has been 1,881 minutes per month. In January 2015, Dental incurred a \$15.00 overage fee because staff exceeded minutes available. Because overage fees are excessive and call volume is unpredictable, Dental has consulted with a cell phone company representative and elected to change plans. The new plan will provide unlimited phone minutes but restrict data usage, as data levels are low enough to warrant an adjustment. This change will decrease Dental’s cell phone bill by approximately \$20.00 per month.

Nursing – Nursing has changed cellular plans since this audit. Nursing is currently reviewing cell phone and data plan options and will continue to review plans under the State contract to ensure the plan meets our needs at the most cost effective dollar amount.

Conclusion – Responses accepted.

(F) Other Questionable Expenditures – We reviewed expenditures for each of the 4 Boards for the period July 1, 2011 through August 31, 2014 and identified the following for Pharmacy:

- 2 mantel clocks purchased as retirement gifts for \$225.24 and \$152.68, respectively, which exceeds the \$75.00 limit established by DAS-SAE in section 220.351 of the Accounting Policy and Procedures Manual for such purchases.

- A breakfast and lunch reimbursement totaling \$33.60 for a trip to Saskatoon, Canada which was not properly supported by itemized receipts.
- A \$25.00 iTunes card purchased and reimbursed to an employee through a TP; however, no subsequent documentation was available to determine how the iTunes card was used.
- A pack of 50 binding combs purchased for \$19.74. The binding combs only cost \$9.93; however, \$9.81 was paid for shipping, which appears excessive compared to the value of the item.
- Multiple purchases of iPad and GPS accessories for which we were unable to determine the public purpose.

Recommendation – Pharmacy should ensure all invoices are reviewed for propriety and public purpose criteria prior to payment. In addition, expenditures should be reviewed for compliance with DAS policies, as applicable, and should be properly supported with original, itemized receipts.

Response – Pharmacy has revised procedures to ensure complete documentation and justification for expenditures. Staff has also been made aware of limitations and the need for better articulation and documentation of the public purpose of expenditures.

Conclusion – Response accepted.

- (G) Equipment Inventory – By its nature, computer equipment and other current technology products are attractive to individuals and susceptible to loss. These items are frequently small and designed to be portable, such as laptop computers and iPads. Pharmacy did not maintain complete inventory listings or tag items with a value less than \$5,000.00, which is the threshold at which assets are capitalized.

Recommendation – To ensure proper control over assets which are under its control, Pharmacy should maintain a complete inventory of all electronic equipment, such as computers, iPads, printers, and scanners, and all items should be tagged. The inventory should include equipment kept at the homes of staff members. In addition, a periodic inventory should be performed to ensure assets are still in the possession of the designated employee.

Response – Pharmacy has updated its equipment inventory, including mobile devices and electronic equipment used in home offices. The inventory is updated and verified periodically to ensure proper control and management.

Conclusion – Response accepted.

- (H) Shipping Destination – To ensure proper controls over purchasing and custody of assets, equipment, and supplies purchased, all purchases should be shipped to the Board’s office and received by an individual independent of the approval of the purchase and custody of the assets. During our review, we determined many of the items purchased by the Pharmacy Director were shipped to his personal residence. According to a Pharmacy representative, there was “no real reason” to ship the items to the Director’s home.

Recommendation – Pharmacy should ensure all equipment and supplies purchased are shipped directly to the Board’s office to ensure proper controls are in place over purchasing.

Response – A shipment of printers and other equipment for Pharmacy compliance officers (field staff) were delivered to the Director’s residence to facilitate delivery by



the Director to the compliance officers at a Board meeting outside of the Des Moines area in November 2011. Office equipment used for work purposes by the Director were also shipped to his residence. Since 2012, all equipment and supplies are shipped directly to the Pharmacy office where they are received, processed, and distributed by Pharmacy staff.

Conclusion – Response accepted.

(I) Other Matters – During our review, we identified the following for Pharmacy:

- A reimbursement for postage for \$45.00 was not properly supported with an original receipt.
- A membership fee reimbursed using a TP which lacked evidence of Executive Council approval. According to section 230.600, “Memberships in Outside Organizations,” of the DAS-SAE State Accounting Policy and Procedures Manual, membership fees paid on behalf of an employee require approval by the Executive Council and should be reimbursed on a General Accounting Expenditure (GAX).

Recommendation – Pharmacy should ensure all expenditures are properly supported prior to approval. In addition, Pharmacy should ensure Executive Council approval is obtained when necessary and all expenditures are properly processed in accordance with DAS-SAE policies.

Response – Pharmacy staff have received additional training to ensure complete documentation and justification is provided. Pharmacy procedures have been reviewed and updated to ensure membership fees are approved and processed in accordance with DAS-SAE policies.

Conclusion – Response accepted.

Report on a Review of  
Certain Expenditures by the  
Iowa Department of Public Health,  
Including  
the Iowa Board of Pharmacy,  
the Iowa Dental Board,  
the Iowa Board of Medicine, and  
the Iowa Board of Nursing

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