



OFFICE OF AUDITOR OF STATE

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ September 24, 2015

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released a report on the Iowa Department of Inspections and Appeals for the year ended June 30, 2014.

The Iowa Department of Inspections and Appeals was created for the purpose of coordinating and conducting audits, appeals, hearings, inspections and investigations related to the operations of Iowa state government. The Department also provides administrative support services for the Employment Appeal Board, Hospital Licensing Board, Child Advocacy Board, State Public Defender and the Iowa Racing and Gaming Commission.

Mosiman recommended the Department implement procedures and strengthen controls over receipts and claims submitted by court-appointed attorneys. 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 Inspections and Appeals, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1560-4270-0R00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF INSPECTIONS AND APPEALS**

JUNE 30, 2014

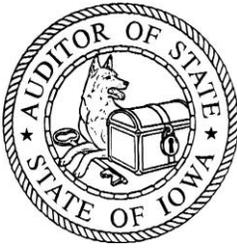
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September 17, 2015

To Rodney A. Roberts, Director of the
Iowa Department of Inspections and Appeals:

The Iowa Department of Inspections and Appeals 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, 2014.

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. 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 Inspections and Appeals' 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 Inspections and Appeals, citizens of the State of Iowa and other parties to whom the Department 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 any of 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 8 and they are available to discuss these matters with you.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins
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

June 30, 2014

Finding Reported in the State's Single Audit Report:

**CFDA Number: 93.777 – State Survey and Certification of Health Care Providers
and Suppliers (Title XXVIII) Medicare**

Agency Number: None

Federal Award Year: 2013, 2014

State of Iowa Single Audit Report Comment: 14-III-HHS-427-7 (2014-012)

Survey Frequency – The Centers for Medicare and Medicaid Services, 2014 State Performance Standards System Guidance, Section F2(e), requires the Department to conduct a standard survey of each licensure agreement of nursing facilities no later than 15.9 months after the last day of the previous survey. In addition, the statewide average interval between standard surveys of licensure agreements must be 12.9 months or less. The statewide average interval between standard surveys conducted by the Department was 13.4 months.

Recommendation – The Department should review its procedures to ensure all facilities are surveyed within the required interval.

Response and Corrective Action Planned – The Centers for Medicare and Medicaid Services requires the average survey cycle time for all nursing facilities should not exceed 12.9 months and no individual facility should exceed a 15.9 month survey cycle. The overall survey average for nursing facilities during the past federal fiscal year was 13.4 months.

The Department experienced an unanticipated number of surveyor vacancies over the past state fiscal year. The selection, hiring and training processes for health facilities surveyors can take approximately one year. Since May 2014, the Department has been actively identifying, hiring and training qualified candidates. Filling these vacancies will allow us to meet the federal survey cycle average frequency.

Additionally, the Department plans to start providing monthly status updates to surveyors regarding current survey cycle average. The intent is to make surveyors specifically aware of the status in attaining the goal and therefore heighten attention and efforts toward ensuring the achievement of the goal.

Conclusion – Response accepted.

Findings Reported in the State's Report on Internal Control:

No matters were noted.

June 30, 2014

Other Findings Related to Internal Control:

- (1) 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 Department understated accumulated depreciation by \$58,820. This resulted in an overstatement of capital assets.

Recommendation – The Department should ensure the GAAP package information reported is complete and accurate.

Response – The Department had formula errors in its spreadsheet for depreciation. Corrections have been made and the Department will have a second employee review the accuracy of the formulas for future reports.

Conclusion – Response accepted.

- (2) Receipts – The Department records receipts in the Integrated Information for Iowa (I/3) System throughout the year. The following findings were noted:

Department of Inspections and Appeals

Reconciliations of initial listings to I/3 are not performed and reviewed by an independent person.

State Public Defender's Office

An initial listing of receipts is not prepared and reconciled to I/3 by an independent person. Additionally, the Office receives checks from County Base and Drug Court Billings. Checks are recorded and sent to the Fiscal Services Bureau for deposit and entry into I/3. The Office does not restrictively endorse the checks prior to delivery to the Fiscal Bureau.

Recommendation – The Department should ensure an initial listing of receipts is prepared. Reconciliations of initial listings at the Fiscal Bureau level to I/3 should be performed by an independent person. In addition, the Department should restrictively endorse checks immediately upon receipt.

Responses:

Department of Inspections and Appeals

The Food Bureau now has an individual who logs in the checks and another individual who reconciles to I/3. This has not been performed for the other Divisions who receive few checks. An individual in the Administrative Services Bureau logs in the checks and an individual in the Fiscal Services Bureau will now perform the I/3 reconciliation.

State Public Defender's Office

The employee who opens the mail now immediately restrictively endorses the checks received, and logs them into a spreadsheet. The checks are then distributed to the appropriate employee for further processing, which varies depending on the purpose for which the check was provided. The check log is reconciled with I/3 on a monthly basis by an employee who is not involved in the processing.

Conclusion – Responses accepted.

June 30, 2014

- (3) Contract Attorney Claims – The State Public Defender’s Office coordinates provision of legal representation to indigent persons who are accused of committing crimes or involved in juvenile court matters. The legal representation is provided through State Public Defender Offices or through private attorneys under contract with the State Public Defender and appointed by the Court. Court-appointed attorneys must submit written claims to the State Public Defender Offices for review, approval and payment. The claims must include a Fee Claim Form, a copy of the signed order appointing the attorney, a copy of any application to exceed fee limitations, a copy of any order which affects the amount to be paid, an itemized list of all work done, a copy of any application and court order authorizing expenses for experts, investigators, translators or depositions and a copy of any receipts for payment of expenses.

Court-appointed attorneys submit claims at the conclusion of each case, but may be paid at interim points. It is not unusual for a particular day to be reported on a number of claims. During the fiscal year ended June 30, 2014, the State Public Defender’s Office had not implemented procedures to determine the number of hours reported by court-appointed attorneys were appropriate. Because each claim is reviewed separately, the State Public Defender is unable to identify when an excessive number of hours are reported for a particular day.

Additionally, court-appointed attorneys are required to submit a claim for related expenses at the completion of the case. Because some cases extend over numerous months, claims may include costs, such as mileage, incurred over months, or even longer. In addition, it is not unusual for a particular day to be reported on a number of claims. During fiscal year ended June 30, 2014, the State Public Defender’s Office did not have a process in place to determine if trips to the same destination on the same day were reported multiple times. Because each claim is review separately, staff are unable to identify when mileage reimbursement requests are duplicated.

Recommendation – The State Public Defender’s Office should continue to review individual claims to ensure the propriety of the number of hours and trips reported by court-appointed attorneys. In addition to reviewing individual claims, the State Public Defender should implement procedures which ensure the cumulative amount reported for individual days and trips on various claims is reasonable and not duplicated.

State Public Defenders’ should also continue to periodically analyze the total hours claimed by all court-appointed attorneys to determine if any unusual activity is identified and perform appropriate follow up.

Response – The auditors in the Office of the State Public Defender (SPD) continue to closely review and monitor claims submitted by court-appointed attorneys. In addition, the SPD is in the process of developing an online claims submission system. The system is designed to cross-check the newly-submitted claims against prior claims submitted by the same claimant. The system will alert our auditors when multiple claims from a court-appointed attorney aggregate to an inappropriate number of hours in any single day. Similarly, the system will alert our auditors when a claimant has submitted more than one mileage request in any particular day. When our auditors are alerted in this manner by the system, they will review and investigate as appropriate.

Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2014

The online claims system has undergone months of internal development and testing, and will be tested by a select group of court-appointed attorneys beginning in July 2015. It is the goal of the SPD to implement the online claims system for all court-appointed attorneys statewide in calendar year 2016.

In addition to the automated processes described above, and in addition to the auditors who review claims on a daily basis, the SPD has one employee who dedicates a portion of his time to reviewing and analyzing the hours claimed by court-appointed attorneys to identify any unusual activity. Through this process, the SPD was recently able to identify another court-appointed attorney who billed over twenty-four hours in a day on multiple occasions.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2014

Staff:

Questions or requests for further assistance should be directed to:

Timothy D. Houlette, CPA, Manager
Andrew E. Nielsen, CPA, Deputy Auditor of State
Katherine L. Rupp, CPA, Senior Auditor II

Other individuals who participated in the audits include:

Michael A. Chervek, Staff Auditor
Ramona E. F. Daly, Staff Auditor
Anthony M. Heibult, Staff Auditor
Miranda A. Shipman, Staff Auditor
David A. Cook, CPA, Assistant Auditor
Christian E. Cottingham, Assistant Auditor
Nathaniel W. Packer, CPA, Assistant Auditor