

**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ October 1, 2015

Contact: Andy Nielsen  
515/281-5834

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

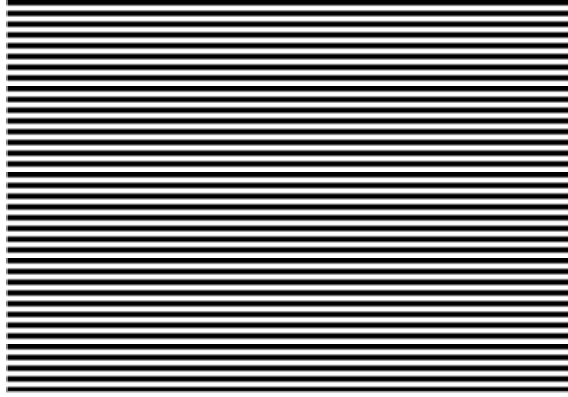
The Department is responsible for planning, developing, regulating and improving the State of Iowa's transportation system to provide and preserve adequate, safe and efficient transportation services.

Mosiman recommended the Department implement procedures to improve controls over service contracts, uniform purchases and motor vehicle enforcement salvage theft exams. In addition, the Department should ensure the GAAP package information reported is complete and accurate. 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 Transportation, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1560-6450-BR00.pdf>.

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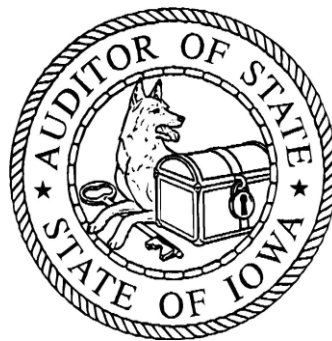




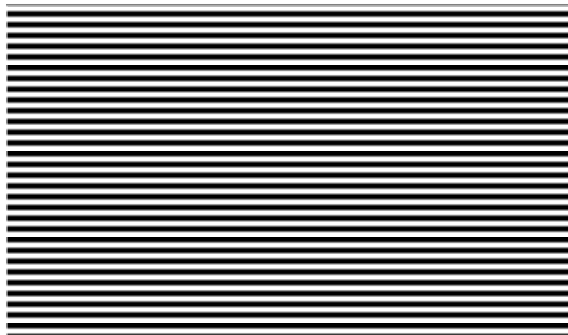
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF TRANSPORTATION**

**JUNE 30, 2014**

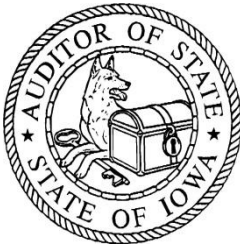
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September 28, 2015

To Paul Trombino III, Director of the  
Iowa Department of Transportation:

The Iowa Department of Transportation 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 Report on Internal Control 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 Transportation's 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 Transportation, citizens of the State of Iowa and other parties to whom the Iowa Department of Transportation 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 9 and they are available to discuss these matters with you.

*Mary Mosiman*  
MARY MOSIMAN, CPA  
Auditor of State

*Warren G. 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

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Finding Reported in the State's Report on Internal Control:**

Financial Reporting – The Department records receipts and disbursement in the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded in the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year.

The Department makes loans to cities for road projects and subsequently reports loan receivables in the GAAP package. Four loans totaling \$394,710 reported as new loans in the current year should have been reported in the prior year.

Recommendation – To strengthen controls, the Department should implement procedures to ensure the GAAP package information reported is complete and accurate.

Response – The Department will review current procedures related to loans receivables and modify where needed to minimize misstatements.

Conclusion – Response accepted.

**Other Findings Related to Internal Control:**

- (1) Motor Vehicle Enforcement Salvage Theft Exams – The Office of Auditor of State conducted a review related to Motor Vehicle Enforcement Salvage Theft Exams administered by the Department. The Department is responsible for the Salvage Vehicle Theft Examination process established by Chapter 321.52 of the Code of Iowa. The purpose of the salvage vehicle theft examination is to physically verify stolen parts were not used to rebuild a vehicle and authenticate ownership of the vehicle. In accordance with the Code of Iowa, all vehicles designated as salvage or which have a salvage title are to be physically examined by a peace officer who has been certified by the Iowa Law Enforcement Academy to conduct examinations.

The examination must be completed by a Motor Vehicle Enforcement (MVE) investigator or by a certified local law enforcement agency peace officer who must document the vehicle passed examination on the salvage theft examination certificate. The salvage theft examination certificate must be on prescribed forms provided by the Department. The vehicle owner must pay a \$30.00 fee to the examining officer upon completion of the examination. The fees collected are split between the Department and the local law enforcement agency conducting the exam.

Recommendations – The review included 7 local agencies and covered certificates issued from April 1, 2008 through March 31, 2010. The report recommended the Department implement procedures to improve controls over the following:

- Ensure local agencies issue certificates in sequential order and all voided receipts are properly controlled and provided to the Department by the local agencies. Local agencies should also maintain the pink copy of voided certificates in examination files and mail the white copies to the Department.

## Report of Recommendations to the Iowa Department of Transportation

June 30, 2014

- Periodically use the sequential certificate numbers to identify any certificates not submitted to the Department. The Department should also perform periodic reconciliations to ensure the appropriate fees are submitted by the local agencies for the certificates filed with the Department. The Department should investigate and document any voided certificates in conjunction with missing certificates.
- Ensure local agencies have implemented appropriate controls over the certificates maintained at local agencies. The number of certificates on hand should periodically be compared to the number obtained from the Department, the number issued and remitted to the Department and the number voided. The comparison should be completed by someone independent of the individual performing the examinations and collecting the related fees.
- Update the list of local agencies which complete salvage vehicle theft examinations and ensure only active, trained and authorized local agencies are included. The Department should also ensure local agencies have implemented procedures to comply with administrative rules regarding accepting only checks or money orders for examinations.
- Include sufficient information in the training packet and guidance provided to officers of local agencies to ensure failed examinations are handled in an appropriate manner.

Fiscal Year 2014 Status – Our review of these areas during the fiscal year 2014 financial audit found the above issues were not resolved. Accordingly, the recommendations are repeated.

Response – The Department is currently working on a process to make the recording of the exams an electronic process and will be matched to a specific vehicle. This process will eliminate the paper exam certificates and allow for the fees to be submitted electronically. It will also allow for the paper repair affidavits to be stored electronically with the vehicle record. Planned implementation is the end of fiscal year 2015. Until the on-line version is implemented, we are addressing the recommendations as noted.

- a) Each law enforcement agency conducting vehicle theft exams is responsible for managing the examination forms for their agency and remitting the forms properly to the owner and the DOT. Initial certification training and recertification training provided to officers instructs and tests them on developing proper recording and filing methods for the exam forms and proper fee collecting. Officers may start an examination form and not complete it due to the customer not having appropriate documentation or fees. The result can be exam forms sent to the DOT that are out of sequence as the officer is holding forms that were initially started but held to complete at a later date. This can cause the exam forms to not be in sequential order and not remitted to the DOT. There is no code or rule mandate as to how frequently exam forms are submitted by law enforcement to the DOT. To eliminate this problem, the DOT will be implementing an electronic method for officers to record the examination and to provide a process for customers to pay on-line to connect the payment directly to the actual exam.

## Report of Recommendations to the Iowa Department of Transportation

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- b) Today law enforcement agencies conducting exams maintain the pink copy of the exam certificate and paper affidavit of repair for 3 years. The management and maintenance of these forms and affidavit is part of the officer certification and recertification training. The information contained on the repair affidavit is important vehicle history information that the DOT will incorporate into the electronic recording method so this information can be maintained with the DOT vehicle record.
- c) Officers are instructed during certification and recertification training that cash can't be accepted for an exam.
- d) For VOID certificates, officers are trained to send in the yellow and white copies to the DOT and the officer maintains the pink copy for their records. Law enforcement agencies are not mandated to complete certificates in numerical order and sometimes get out of sequence because of the holding of the certificate waiting on customer information. The elimination of paper certificates and requiring payment and exams to be completed electronically within the DOT vehicle record will eliminate this issue. Staff with the Bureau of Investigation and Identity Protection review problems with the use of certificates directly with the agency's staff.
- e) The information regarding failed inspections is covered during the classroom instruction for certification.
- f) We remove agencies from this list when we are notified by the agency they no longer want to be in the program. During the certification training, officers are asked if their agency is not currently on the DOT list, if they want their agency added. They are also instructed to let the DOT know when they no longer want to be a part of the program.
- g) The monitoring and control over the salvage exam certificate forms will be eliminated when this program is moved to an electronic format. Officers participating in this program will be provided user ID's and passwords for the electronic program and access to the program will be given only to officers and agencies currently certified to conduct exams.

Conclusion – Response acknowledged. Until an electronic process is in place, the Department should monitor the numerical sequence of certificates and reconcile certificates provided to local agencies and collections remitted to the Department to help ensure certificates are completed and all fees have been remitted.



Report of Recommendations to the Iowa Department of Transportation

June 30, 2014

- (2) Wright Express Transaction Review – The Department assigns a Wright Express fuel card to each vehicle to purchase fuel and other vehicle maintenance items. The vehicle driver uses this card and a personal identification number (PIN) to make purchases. Wright Express software enables the Department to review card transactions. Although the Department performs reviews of the Wright Express transactions, the review is not signed or initialed and dated to document the review was timely. Also, monthly exception reports are prepared but are not reviewed and resolved timely.

Recommendation – To strengthen controls, the independent review of Wright Express transactions should be documented by the reviewer's signature or initials and the date of the review. Also, monthly exception reports should be reviewed and any exceptions should be resolved timely. The review should be documented by the reviewer's signature or initials and the date of the review.

Response – Wright Express transactions are reviewed monthly by ensuring invoice totals match the Wright Express product summary report and voucher totals. Beginning September 2014, this review is documented by the reviewer's initials and date of review.

DOT continues to look for ways to efficiently review the large amount of transactions which occur. Equipment Services will evaluate and update the exception criteria currently included on the Wright Express reports. Exception reports generated by Wright Express will be periodically reviewed and transactions will be selected, on a sample basis, for detailed review. An exception form will be developed and sent to supervisors for review and determination of appropriateness of the transaction, as needed. When reviewed, these exception reports will include the reviewer's signature or initials and the date of the review.

Additionally, as requested, Equipment Services provides data about purchases on a specific fuel card or purchases at specific establishments to supervisors for their review.

Conclusion – Response accepted.

- (3) Invoice Cancellation – The Department scans invoices and retains an electronic image of the invoice on the Electronic Records Management System (ERMS). When an invoice is printed from ERMS, there are no distinguishing marks to indicate the invoice has been paid.

Recommendation – To strengthen controls and to help prevent duplicate payment, a distinguishing mark or watermark should be applied to the invoice when printed.

Response – The Department has submitted a request to the ERMS vendor to add a banner which will indicate the invoice has been paid. The implementation date is planned for August 2015. As an interim solution, watermarking when printing documents was made available for users who print from Spicer Imagination in ERMS.

Conclusion – Response accepted.

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- (4) Service Contracts – DOT policy 010.10 requires service contracts between \$500 and \$4,999 to be informally bid and service contracts greater than \$5,000 to be formally bid, unless the State has a contract with the vendor through the Department of Administrative Services (DAS). We noted the following regarding service contracts:
- A written contract does not exist with two vendors providing various services.
  - A pre-contract questionnaire is not completed for corporations as required by Department policy.

Recommendation – The Department should ensure policies and procedures are followed.

Response – Finance will work with business units to ensure they are clear about the policies and will help ensure policies and procedures are followed.

Conclusion – Response accepted.

- (5) Motor Vehicle Division Uniform Purchases – The Motor Vehicle Division (MVD) purchases clothing which is appropriate for personal use as uniforms from local retail vendors rather than through a contract as required by Department policy 100.04.

Recommendation – The Department should establish a written contract with a vendor for clothing purchases considered to be a uniform in accordance with DOT policy 100.04.

Response – The DOT will work with the Motor Vehicle Division to review DOT policy 100.04 and adapt it to include all clothing purchases

Conclusion – Response accepted.

- (6) Pulled Warrants Listing – The Department requests certain warrants be pulled prior to mailing to add additional information or, in certain cases, to be delivered to the payee. Although the Department keeps a listing of pulled warrants, including who requested the warrant, the listing is not reviewed by an independent person.

Recommendation – If the Department continues to pull warrants, the Department should establish procedures for an independent person to review the pulled warrants listing to strengthen controls.

Response – For most of fiscal year 2015, Finance has been operating under a draft policy regarding pulled warrants. Printed warrants are mailed directly from Mail Services in Des Moines except for rare occasions. When a warrant is pulled, it remains in Accounting's custody where additional support or information can be added and then it is mailed by Accounting. If for legal reason, a warrant must be hand delivered, individuals picking up the warrant sign a form indicating they took possession of the warrant. During this next fiscal year, Finance will work to finalize the policy and forms which will include an independent review of pulled warrants.

Conclusion – Response accepted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2014

**Staff:**

Questions or requests for further assistance should be directed to:

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