



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____ September 15, 2016

Contact: Andy Nielsen
515/281-5834

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

The Iowa Department of Administrative Services is mandated by statute to provide services to other state agencies. To fulfill this responsibility, the Department is structured into the General Services Enterprise (GSE), the Information Technology Enterprise (ITE), the Human Resources Enterprise (HRE), the State Accounting Enterprise (SAE) and the Central Procurement Enterprise (CPE).

Mosiman recommended the Department ensure the GAAP package information reported is complete and accurate and review rates billed to customers to ensure only approved rates are used. The Department's responses to these recommendations are included in the report.

A copy of the report is available for review in the Iowa Department of Administrative Services, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1560-0050-BR00>.

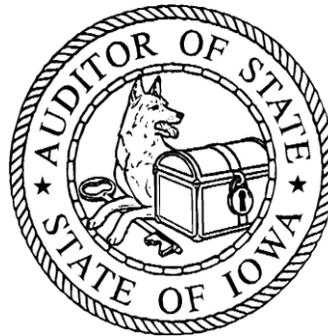
###

**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF ADMINISTRATIVE SERVICES**

JUNE 30, 2014

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



Mary Mosiman, CPA
Auditor of State



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

September 6, 2016

To Janet Phipps, Director of the
Iowa Department of Administrative Services:

The Iowa Department of Administrative Services 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 Administrative Services' 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 Administrative Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Administrative Services 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 6 and they are available to discuss these matters with you.

Mary Mosiman
MARY MOSIMAN, CPA
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 – Departments record receipts and disbursements 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. Findings were noted for the following departments:

- (a) Accounts payable were understated by \$1,579,363. This was properly adjusted for reporting purposes.
- (b) One payable listed in the GAAP package for \$85,545 was recorded in the wrong fund. This was properly adjusted for reporting purposes.

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

Response – The Department agrees with the comment. To ensure accrual entries are recorded in the proper fiscal year, the DAS-SAE Payroll Accountant has set up an annual reminder to confirm the Wellmark Standard Assessment annual billing has been received, paid and recorded timely in the proper fiscal year. The annual billings do not arrive from the vendor on a regularly recurring set schedule. DAS-SAE will work with the vendor to see if a set schedule can be agreed to.

In addition, changes made to the GAAP package information after being submitted did not go through the two step review process. This will be changed going forward. All information and any changes made to the GAAP package will go through a process of two reviews.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

Purchasing Billing Rates - The Customer Council reviews utility rates, establishes a rate methodology and approves rates to be billed to all state agencies. The purchasing administrative fee facilitates the procurement of goods and services for general use for and on behalf of state agencies. The fee is an allocation based upon the percentage of usage of Master Agreements. Due to purchasing power, DAS receives rebates from vendors and the savings is passed in the form of a rate reduction and rebate based on the same allocation used for the purchasing administrative fees.

During testing, we discovered certain agencies were billed incorrect amounts for the purchasing utility. In addition, the allocation for the fiscal year 2014 rebate was incorrectly calculated from fiscal year 2013 rates.

Recommendation – The Department should review rates billed to customers to ensure only approved rates are used. This should include a review of individual agency billings to ensure the allocation is applied correctly. Rebates should be reviewed to ensure agencies receive rebates using the same allocation percentages used to calculate purchasing billing rates for the corresponding fiscal year.

Report of Recommendations to the Iowa Department of Administrative Services

June 30, 2014

Response – The Department agrees with the comment and recommendation.

A new process has been implemented which verifies the information submitted for the DAS Utility Services to the monthly billing file in eDAS. This ensures the file processed for billing, agrees with the agency total on the file submitted.

The methodology used to determine the allocation of a rebate to customers is based upon the usage of the service, in the fiscal year the rebate will be provided. The rebate is allocated back to agencies as part of the eDAS monthly billing as a credit against the bill. This was not the process followed in FY14 when the rebate for Purchasing was calculated. Future rebates will be calculated following the agency standard methodology.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa Department of Administrative Services

June 30, 2014

Staff:

Questions or requests for further assistance should be directed to:

Brian R. Brustkern, CPA, Manager
Jennifer L. Wall, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Brandon J. Vogel, Senior Auditor II
Joshua W. Ostrander, Senior Auditor
Kaylynn D. Short, Senior Auditor
Michael A. Chervek, Staff Auditor
Ramona E. Daly, Staff Auditor
Melissa E. Janssen, Staff Auditor
Chad C. Lynch, Staff Auditor
Erin J. Sietstra, Staff Auditor
Kyle C. Smith, CPA, Staff Auditor
Janell R. Wieland, Staff Auditor
Luke H. Holman, Assistant Auditor