



**OFFICE OF AUDITOR OF STATE**  
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**NEWS RELEASE**

FOR RELEASE

October 5, 2016

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released a report on the Iowa Department of Workforce Development for the year ended June 30, 2015.

The Iowa Department of Workforce Development is comprised of seven divisions: Worker's Compensation, Labor Services, Administrative Services, Unemployment, Information Technology, Workforce Services and Communications and Labor Market. The Department is responsible for administration of the statutes and regulations relating to unemployment compensation insurance, job placement and training, employment safety, labor standards and workers' compensation.

Mosiman recommended the Department develop procedures to:

- (1) Develop policies and procedures to ensure all reports are submitted timely and reviewed and approved by an independent person.
- (2) Ensure information generated for financial reporting is properly tested and reviewed for accuracy.
- (3) Identify sensitive positions and ensure background investigations are routinely performed as part of the hiring process.
- (4) Review capital asset policies and procedures to ensure a detailed, up-to-date capital asset listing is maintained.
- (5) Ensure compliance with the Department of Administrative Services Purchasing Card Program Procedures Manual.
- (6) Ensure necessary steps are taken to comply with the Code of Iowa or continue to seek the repeal of outdated Code sections.

The report also includes the Department's responses to the recommendations.

A copy of the report is available for review at the Iowa Department of Workforce Development, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1660-3090-BR00>.

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**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF WORKFORCE DEVELOPMENT**

**JUNE 30, 2015**

**Iowa Department of Workforce Development**



**OFFICE OF AUDITOR OF STATE**  
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September 30, 2016

To Beth Townsend, Director of the Iowa Department of Workforce Development:

The Iowa Department of Workforce Development 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, 2015.

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 and the State's Report on Internal Control 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. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Workforce Development'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 Department, 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 13 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, 2015

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

**CFDA Number: 17.225 – Unemployment Insurance**

**Agency Number: REEDMOD09, UI22276JH, UI22276JH1, UI23891MY0, UI23891OJ0,  
UI25204SH, UI25204SI, UI25204SZ, UI26391SZ0, UI26534XE0,  
UI26534XF0, UI26534XW0, UI27111XW0**

**Federal Award Year: 2012, 2013, 2014, 2015**

**State of Iowa Single Audit Report Comment: 15-III-DOL-309-1 (2015-001)**

- (1) Employment and Training Administration (ETA) Reports – The ETA 191 report, “Statement of Expenditures and Financial Adjustments of Federal Funds for Unemployment Compensation for Federal Employees and Ex-Service members”, is the quarterly summary of unemployment compensation expenditures and adjustments and the total amount of benefits paid to claimants of each federal and military agency. Unemployment Insurance (UI) Reports Handbook No. 401 requires the report to be submitted electronically to the Employment and Training Administration of the U.S. Department of Labor by the 25th of the month following the close of the quarter.

The Department did not submit the reports timely for all four quarters of the fiscal year due to employee oversight.

Recommendation – The Department should establish policies and procedures to ensure reports are submitted timely in accordance with the UI Reports Handbook.

Response and Corrective Action Planned – The deadline of the 30th was provided to the Accountant 3 from the retiring Accountant who handled this function. Now the Accountant 3 is aware of this error from training and is ensuring the reports are submitted by the due date identified. All other deadlines have been reviewed again to ensure there are no other reports being submitted later than the due dates.

Conclusion – Response accepted.

**CFDA Number: 17.225 – Unemployment Insurance**

**Agency Number: REEDMOD09, UI22276JH, UI22276JH1, UI23891MY0, UI23891OJ0,  
UI25204SH, UI25204SI, UI25204SZ, UI26391SZ0, UI26534XE0,  
UI26534XF0, UI26534XW0, UI27111XW0**

**Federal Award Year: 2012, 2013, 2014, 2015**

**State of Iowa Single Audit Report Comment: 15-III-DOL-309-2 (2015-002)**

- (2) ETA Reports – The ETA 581 report, “Contribution Operations”, provides information on the volume of work and state agency performance in determining the taxable status of employers and the processing of wage items, the collection of past due contributions and payments in lieu of contributions, delinquent reports and audit activity. The data provides measures of the effectiveness of the tax program. UI Reports Handbook No. 401 requires the report to be submitted electronically for each calendar quarter to the Employment and Training Administration of the U.S. Department of Labor on the 20th day of the second month following the quarter to which it relates.

Three of the four quarterly reports were not reviewed and approved by an independent person for propriety prior to submission due to employee oversight.

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Recommendation – The Department should establish policies and procedures to ensure the quarterly reports are reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer’s signature or initials and date of review.

Response and Corrective Action Planned – The individual was not adequately trained by her predecessor. The Department will implement procedures to ensure a knowledgeable independent person reviews the quarterly reports prior to submittal. Upon completion, the independent reviewer will initial and date as evidence of the review.

Conclusion – Response accepted.

**CFDA Number: 17.225 – Unemployment Insurance**

**Agency Number: REEDMOD09, UI22276JH, UI22276JH1, UI23891MY0, UI23891OJ0, UI25204SH, UI25204SI, UI25204SZ, UI26391SZ0, UI26534XE0, UI26534XF0, UI26534XW0, UI27111XW0**

**Federal Award Year: 2012, 2013, 2014, 2015**

**State of Iowa Single Audit Report Comment: 15-III-DOL-309-3 (2015-003)**

- (3) ETA Reports – The ETA 227 report, “Overpayment Detection and Recovery Activities”, provides information on overpayments of intrastate and interstate claims under the regular state UI program and under federal UI programs, including the Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex- Servicemembers (UCX) programs, established under Chapter 85, Title 5, U.S. Code. The report includes claims for regular, additional state programs and the permanent federal- state Extended Benefits (EB) programs. Data is provided for the establishment of overpayments, recoveries of overpayments, criminal and civil actions involving overpayments obtained fraudulently and an aging schedule of outstanding benefit overpayment accounts. The UI Reports Handbook No. 401 requires the report to be submitted quarterly on the first day of the second month after the end of the quarter.

Two of the four quarterly reports were not prepared or submitted and the two reports submitted were not reviewed and approved by an independent person for propriety prior to submission due to employee oversight.

Recommendation – The Department should establish policies and procedures to ensure reports are submitted timely in accordance with the UI Reports Handbook. The policies established should also ensure the quarterly reports are reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer’s signature or initials and date of review.

Response and Corrective Action Planned – The Department will implement policies and procedures to ensure reports are submitted timely and a knowledgeable independent person will review the quarterly reports prior to submittal. Upon completion, the independent reviewer will initial and date as evidence of the review.

Conclusion – Response accepted.

June 30, 2015

**CFDA Number: 17.225 – Unemployment Insurance**

**Agency Number: REEDMOD09, UI22276JH, UI22276JH1, UI23891MY0, UI23891OJ0,  
UI25204SH, UI25204SI, UI25204SZ, UI26391SZ0, UI26534XE0,  
UI26534XF0, UI26534XW0, UI27111XW0**

**Federal Award Year: 2012, 2013, 2014, 2015**

**CFDA Number: 17.245 – Trade Adjustment Assistance**

**Agency Number: TA22656LN, TA24342MIO**

**Federal Award Year: 2012, 2013**

**State of Iowa Single Audit Report Comment: 15-III-DOL-309-4 (2015-004)**

- (4) Trade Act Participant Report (TAPR) – The TAPR provides a streamlined data collection on the Trade Adjustment Assistance (TAA) program activities and outcomes into a single streamlined reporting structure. The report captures information related to TAA applicants, including TAA participants who receive benefits and services across the program with a standardized set of data elements which includes information on participant demographics, types of services received and performance outcomes. The TAPR is intended to track information on TAA activity on a “real time” basis for individuals from the point of TAA eligibility determination through post-participation outcomes. As required by Training and Employment Guidance Letter No. 6-09, quarterly reports are to be submitted no later than 45 days after the end of each report quarter.

The reports were not reviewed and approved by an independent person for propriety prior to submission due to employee oversight.

Recommendation – The Department should establish policies and procedures to ensure the quarterly reports are reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer’s signature or initials and date of review.

Response and Corrective Action Planned – The Department will continue to receive the quarterly TAPR file from the IT unit and continue to have a knowledgeable, independent person review the file to make sure the report covers every possible data element and the appropriate timeframe of applicants, participants and exiters is being captured by the data file. In addition, the Department will implement procedures wherein the knowledgeable, independent person reviews the quarterly TAPR files prior to submission by querying our systems for a report of the relevant timeframe and information and then comparing such report to the quarterly TAPR data file supplied by the IT unit. Upon completion, the independent reviewer will initial and date as evidence of the review.

Conclusion – Response accepted.

June 30, 2015

**CFDA Number: 17.225 – Unemployment Insurance**

**Agency Number: REEDMOD09, UI22276JH, UI22276JH1, UI23891MY0, UI23891OJO,  
UI25204SH, UI25204SI, UI25204SZ, UI26391SZ0, UI26534XE0,  
UI26534XF0, UI26534XW0, UI27111XW0**

**Federal Award Year: 2012, 2013, 2014, 2015**

**State of Iowa Single Audit Report Comment: 15-III-DOL-309-5 (2015-005)**

- (5) Grant Management – The Office of Auditor of State conducted an investigation related to Unemployment Insurance (UI) payments made by the Iowa Department of Workforce Development during the period January 1, 2012 through January 13, 2015. The report identified improper UI disbursements of \$886,527. The investigation resulted in a report dated February 3, 2016 issued to the Director of the Iowa Department of Workforce Development and the Office of the Inspector General of the U.S. Department of Labor. 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/1360-3090-BE01.pdf>.

Response and Corrective Action Planned – Department response not requested.

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

Unemployment Benefits Fund – To comply with governmental accounting and financial reporting standards for the Unemployment Benefits Fund, the Iowa Department of Workforce Development (IWD) has developed the MYIOWAUI system to track employer unemployment insurance contributions based on quarterly employer payroll reports. The system generates information regarding the balance of employer contributions receivable and delinquent accounts, including penalty and interest calculations, for financial reporting purposes. This activity is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The following were noted for the year ended June 30, 2015:

- (1) IWD understated accounts receivable by \$14,085,897 and understated the allowance for doubtful accounts by \$2,776,637 on the GAAP package Unemployment Benefits Fund page. As a result, the net accounts receivable balance was understated by \$11,309,260. This was properly adjusted for reporting purposes.
- (2) IWD overstated accounts payable by \$2,429,611 on the GAAP package Unemployment Benefits Fund page. This was properly adjusted for reporting purposes.
- (3) According to IWD, an account goes to non-collectible status when the most recent debt creation date on the account is older than 720 days and the last payment was not received within 90 days. These accounts should be written off for reporting purposes and not be included in the balance reported in the GAAP package. During testing, \$226,062 of \$41,143,963 of contributions, \$147,246 of \$14,204,936 of interest and \$39,422 of \$2,200,717 of penalties older than 720 days were included in the accounts receivable balance reported in the GAAP package.

## Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2015

Recommendation – IWD should ensure financial information generated for the GAAP package is properly reviewed for accuracy. IWD should continue to modify the MYIOWAUI system to ensure the data is accurate, timely and conforms to established policy.

Response – For numbers (1) and (2), IWD will review reconciling pages to ensure numbers are accurate on the Unemployment Benefits Fund page in the GAAP package. For number (3), the discrepancy is caused from the comparison of the Employer Accounts Receivable created from the MYIOWAUI system and the Non-Collection List. The problem lies where uncollected debt is never removed from the MYIOWAUI system so uncollected debt older than 720 days appears on this report, but is removed from the Non-Collection List. The reason the debt is not taken out of the MYIOWAUI system is because there are times we consider the debt uncollectible; however, we do receive payment on this at a later date. If there is no way to correct this in the system a comparison between the two reports will need to be done before the accountant completes this portion of the GAAP package and then back those accounts which appear older than 720 days out of the calculation.

Conclusion – Response accepted.

### **Other Findings Related to Internal Control**

- (1) Background Investigations – The Department hires employees for various positions, including positions which are sensitive in nature, such as information technology staff, individuals with access to cash, etc. Background investigations are not routinely done as part of the hiring process.

Recommendation – The Department should develop procedures to identify sensitive positions and ensure background investigations are routinely performed as part of the hiring process for those positions.

Response – The Department is working with the Department of Administrative Services to identify uniform guidance for all state agencies in regards to when background checks should occur.

Conclusion – Response accepted.

- (2) 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 following were noted:

- (1) Eight of fifteen capital assets observed did not have a State property tag affixed to them and the capital asset listing did not contain enough information to identify the individual capital asset for observation.
- (2) Approval for deletions was done after the end of the fiscal year.
- (3) Intangible asset were understated \$1,094,214.

Recommendation – The Department should develop procedures to ensure a detailed up-to-date capital asset listing is maintained for all assets with enough information to identify the capital assets. Procedures should include, but not be limited to, ensuring all capital assets deletions are approved timely and prior to deletion and all assets are properly tagged. The Department should also ensure intangible assets are properly reported.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2015

Response –

- (1) IWD continues to remind staff of the policies regarding the tagging of equipment once tags have been provided by Financial Management. In addition, the financial monitoring conducted in state fiscal year 2016 included testing of property purchases and ensuring tags have been placed on items. All items selected either had IWD tags attached or this was taken care of during the visit. IWD has reviewed the inventory log to see if any additional information needed to be added. It is difficult to provide additional information on many IT equipment items as not all items have a serial number and, therefore, it is difficult to include any additional information other than what is listed on the current inventory. We have reviewed those items to see what, if any, additional information could be included.
- (2) IWD has clarified the policy with staff regarding proper communication with Financial Management on the disposal of property to ensure we are notified at the time of disposal and not at the time of physical inventory. This is an on-going process as new managers come in which are not aware of these rules.
- (3) IWD will make a correction in fiscal year 2016 to account for the understatement of intangible assets.

Conclusion – Response accepted.

- (3) Purchasing Cards – The Purchasing Card is a Visa credit card issued by a bank to the State of Iowa. The purpose of the Purchasing Card program is to establish a faster, more cost-effective method for purchasing and payment. The Department of Administrative Services (DAS) implemented policies and procedures governing the program.

The DAS Purchasing Card policy requires a cardholder to be an employee of the State of Iowa who is designated by their supervisor and approved by the Agency Administrator to utilize the Purchasing Card to purchase supplies and/or goods. The cardholder is subject to single transaction limitations and a monthly limit. Each purchase must be supported by a receipt or other supporting documentation. Cardholders may only hold one card. A card without the cardholder's signature in the signature block is an invalid card.

For 20 purchasing card transactions tested, the following were identified:

- (1) Three payments contained "Purchase Request" documents prepared and approved after the purchase transaction occurred.
- (2) Eight payments were made after the statement due date.

Recommendation – The Department should develop procedures to ensure the compliance with the Iowa Department of Administrative Services Purchasing Card Program Procedures Manual, including purchase request forms prepared and approved prior to the actual purchase. Payments should be made by the statement due date.

Report of Recommendations to the Iowa Department of Workforce Development

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Response –

- (1) IWD had notified the cardholders this practice is not acceptable. They have also been warned cards will be terminated if it's found this practice continues in state fiscal year 2017.
- (2) The Financial Management Bureau continues to be at less than full staff with some staff filling in on such things as P Card payments. Unfortunately, a recent hire did not fulfill those responsibilities adequately and Financial Management recently hired a replacement. The oversight conducted by the Lead Worker in 2016 identified this weakness, so Financial Management has acknowledged this problem in 2016 and has taken action to get these and other payments back on schedule. Hopefully, the new individual will follow the guidelines imposed internally and externally to ensure compliance with payment due dates.

Conclusion – Response accepted.

June 30, 2015

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

- (1) Targeted Small Business Procurement Goal – Chapter 73.16 of the Code of Iowa requires the Director of each state agency or department of state government (state agency) having purchasing authority, in cooperation with the Targeted Small Business (TSB) Marketing and Compliance Manager of the Iowa Economic Development Authority (IEDA), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal shall include the procurement of goods and services, including construction, but excluding utility services. The goal shall be stated in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

The TSB procurement goal for the Department for fiscal year 2015 was not set at a level exceeding the fiscal year 2014 actual TSB spending.

Recommendation – The Department should set the TSB procurement goal at a level greater than the previous year’s actual TSB spending.

Response – In the future, the Department will establish a procurement goal which exceeds the procurement level from certified targeted small businesses during the previous fiscal year.

Conclusion – Response accepted.

- (2) Iowa Code Compliance – The following were noted:

- (a) Iowa Conservation Corps – Chapter 84A.7 of the Code of Iowa establishes the Iowa conservation corps to provide meaningful and productive public service jobs for youth, unemployed persons, persons with disabilities, disadvantaged persons and elderly persons and to provide participants with an opportunity to explore careers, gain work experience and contribute to the general welfare of their communities and the state. The Department is to administer the Iowa conservation corps and its account.

This program and the account are currently inactive.

- (b) Statewide Mentoring Program – Chapter 84A.9 of the Code of Iowa states the Department shall establish and administer, in collaboration with the Departments of Human Services, Education and Human Rights, a statewide mentoring program to recruit, screen, train and match individuals in a mentoring relationship.

This program is currently inactive.

- (c) New Employment Opportunity Program – Chapter 84A.10 of the Code of Iowa states the Department shall implement and administer a new employment opportunity program to assist individuals in underutilized segments of Iowa’s workforce, including, but not limited to, persons with physical or mental disabilities, persons convicted of a crime or minority persons between the ages of 12 and 25, to gain and retain employment.

This program is currently inactive.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2015

- (d) Nursing Workforce Data Clearinghouse – Chapter 84A.11 of the Code of Iowa states the Department shall submit a report to the Governor and the General Assembly annually, by January 15, regarding the nursing workforce data clearinghouse, and, following establishment of the data clearinghouse, the status of the nursing workforce in Iowa.

The required report was not submitted to the Governor and the General Assembly.

Recommendation – The Department has previously requested the repeal of these outdated Code sections and should continue to work toward the repeal of these outdated Code sections. Also, the Department should submit the nursing workforce data clearinghouse report to the Governor and the General Assembly by January 15 of each year.

Response – IWD will continue to work with the Legislature to get outdated program legislation repealed. Funding for the nursing workforce data clearing house was never provided for by the Legislature and, therefore, the database could not be created and reports generated. IWD would have been required to use federal funding which supports the Labor Market information team. It is uncertain whether that would be allowable, given this was a state initiative and not required by the federal government.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2015

**Staff:**

Questions or requests for further assistance should be directed to:

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Jamie T. Reuter, Senior Auditor II  
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Other individuals who participated in the audits include:

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