



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

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**NEWS RELEASE**

FOR RELEASE

September 7, 2017

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, 2016.

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 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- (6) Ensure necessary steps are taken to comply with the Code of Iowa or continue to seek the repeal of outdated Code sections.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/1760-3090-BR00>.

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

**JUNE 30, 2016**

**Iowa Department of Workforce Development**



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August 30, 2017

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, 2016.

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 12 and they are available to discuss these matters with you.

*Mary Mosiman*  
MARY MOSIMAN, CPA  
Auditor of State

cc: Honorable Kim Reynolds, Governor  
David Roederer, Director, Department of Management  
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2016

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

**CFDA Number: 17.225 – Unemployment Insurance**

**Agency Number: REEDMOD09, UI23891OJO, UI25204SZ, UI25204SZ1, UI26391SZ0,  
UI26534XE0, UI26534XF0, UI26534XW0, UI27111XW0, UI27906X0,  
UI279762UO, UI279762V0, UI279763KO, UI281313KO**

**Federal Award Year: 2013, 2014, 2015, 2016**

**State of Iowa Single Audit Report Comment: 16-III-DOL-309-1 (2016-003)**

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the auditee establish and maintain effective internal control over the federal award which provides reasonable assurance the auditee is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award. The ETA 227 report, “Overpayment Detection and Recovery Activities”, provides information on overpayments of intrastate and interstate claims under the regular state Unemployment Insurance (UI) program and under federal UI programs, including the Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service members (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) program. 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.

Condition – The quarterly reports were not submitted timely. Three reports submitted were not reviewed and approved by an independent person for propriety prior to submission.

Cause – Variances were noted in quarterly reports by the preparer and adjustments were needed to accurately report the financial condition of the program. This delay resulted in the quarterly reports not being submitted timely. Department procedures have not been established to require documentation the reports were independently reviewed and approved.

Effect – The lack of a documented review of these reports increases the risk for undetected reporting errors or misstatements.

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 prior to submission.

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.

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**CFDA Number: 17.225 – Unemployment Insurance**

**Agency Number: REEDMOD09, UI23891OJ0, UI25204SZ, UI25204SZ1, UI26391SZ0,  
UI26534XE0, UI26534XF0, UI26534XW0, UI27111XW0, UI27906X0,  
UI279762UO, UI279762V0, UI279763KO, UI281313KO**

**Federal Award Year: 2013, 2014, 2015, 2016**

**State of Iowa Single Audit Report Comment: 16-III-DOL-309-4 (2016-004)**

Trade Act Participant Report (TAPR)

Criteria – The Uniform Guidance, Part 200.303, requires the auditee establish and maintain effective internal control over the federal award which provides reasonable assurance the auditee is managing the federal award in compliance with federal statutes, regulation and the terms of the federal award. 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.

Condition – The Department has stated the reports were reviewed and approved, however, this review was not documented.

Cause – Department procedures have not been established to require documentation the reports were independently reviewed and approved.

Effect – The lack of a documented review of these reports increases the risk for undetected reporting errors or misstatements.

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. The 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 for 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 system 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, 2016

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

Unemployment Benefits Fund

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the financial statements.

Condition – 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, 2016:

- (1) IWD overstated accounts receivable by \$13,160,081 and overstated the allowance for doubtful accounts by \$6,682,298 on the GAAP package Unemployment Benefits Fund page. As a result, the net accounts receivable balance was overstated by \$6,477,783. This was properly adjusted for reporting purposes.
- (2) IWD overstated accounts payable by \$3,329,124 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, \$339,978 of \$34,013,607 of contributions, \$241,387 of \$14,078,783 of interest and \$67,170 of \$1,754,831 of penalties older than 720 days were included in the accounts receivable balance reported in the GAAP package.

Cause – Although policies and procedures have been established to require independent review of year-end cut-off transactions to ensure financial statements are accurate and reliable, the review did not identify material errors made in the GAAP package by the preparer.

Effect – IWD employees did not detect the errors in the normal course of performing their assigned functions. As a result, material adjustments to the financial statements were necessary.

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

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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.

June 30, 2016

**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) One of fifteen capital assets observed did not have a State property tag affixed to it 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 assets were understated \$498,315.
- (4) Equipment assets were understated \$252,867.
- (5) Vehicles were understated \$48,191.

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 assets are properly reported.

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 2017 included testing of property purchases and ensuring tags have been placed on items. 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 is needed to be added.

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June 30, 2016

- (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 and are not aware of these rules.
- (3) IWD will make a correction in fiscal year 2017 to account for the understatement of intangible assets.
- (4) IWD will make a correction in fiscal year 2017 to account for the understatement of equipment.
- (5) IWD will make a correction in fiscal year 2017 to account for the understatement of vehicles.

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, two payments contained "Purchase Request" documents prepared and approved after the purchase transaction occurred.

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.

Response – IWD had notified the cardholders that 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 2018.

Conclusion – Response accepted.

June 30, 2016

**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 2016 was not set at a level exceeding the fiscal year 2015 actual TSB spending.

Recommendation – The Department should set the TSB procurement goal at a level greater than the previous year’s actual TSB spending, or seek legislation to change this statutory requirement.

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

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- (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.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2016

**Staff:**

Questions or requests for further assistance should be directed to:

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