



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

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NEWS RELEASE

FOR RELEASE July 15, 2005

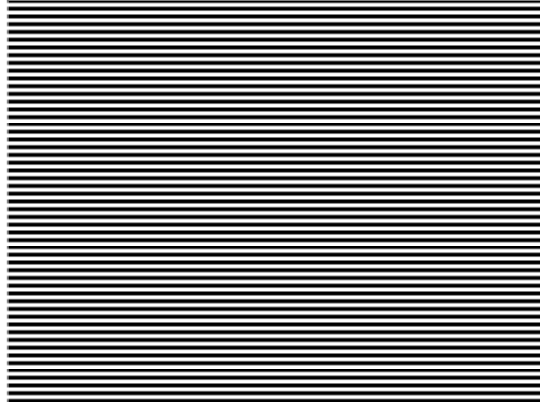
Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Human Rights for the year ended June 30, 2004.

The Department's purpose is to promote opportunities, advocate the rights, improve the conditions of poverty and to study the changing needs and problems of all Iowans.

A copy of the report is available for review in the Iowa Department of Human Rights or the Office of Auditor of State.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF HUMAN RIGHTS**

JUNE 30, 2004

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



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July 7, 2005

To Mr. Walter Reed Jr., Director of the Iowa
Department of Human Rights:

The Iowa Department of Human Rights 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, 2004.

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 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.

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 Human Rights, citizens of the State of Iowa and other parties to whom the Iowa Department of Human Rights 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 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.

Handwritten signature of David A. Vaudt.

DAVID A. VAUDT, CPA
Auditor of State

Handwritten signature of Warren G. Jenkins.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2004

Findings Reported in the State's Single Audit Report:

CFDA Number 93.568: Low-Income Home Energy Assistance

Agency Number: G04B1IALIEA

Federal Award Year: 2004

State of Iowa Single Audit Report Comment: 04-III-HHS-379-11

- (1) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. As stated in the Cash Management Improvement Act (CMIA) Agreement, the Low-Income Home Energy Assistance Program (LIHEAP) is funded on a cash advance basis. This means that federal draws are not to be deposited more than three days prior to the date of disbursement.

From December 5, 2003 to December 18, 2003, a balance ranging from \$79,072 to \$231,752 was carried, and during the period January 16, 2004 to January 22, 2004 a balance ranging from \$248,303 to \$257,744 was carried.

Recommendation – The Department should develop and implement procedures to ensure that federal funds are drawn in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – The Department will continue to closely monitor its cash management procedures to ensure compliance with federal guidelines. Cash balances will be monitored one to two times weekly and draw-downs adjusted appropriately.

The Department met with the state auditors in February and March, 2004 to discuss this same finding in the year ended June 30, 2003 Single Audit report. The two incidences cited above occurred before this meeting. The Department believes the actions taken as a result of the meetings in February and March corrected the excessive daily balance problems for the months remaining in the year ended June 30, 2004.

Conclusion – Response accepted.

June 30, 2004

CFDA Number 93.568: Low-Income Home Energy Assistance

Agency Number: G04B1IALIEA

Federal Award Year: 2004

State of Iowa Single Audit Report Comment: 04-III-HHS-379-12

- (2) Subrecipient Cash Management – The Common Rule requires grantees to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantee whenever advance payment procedures are used. Grantees are to monitor the cash drawdowns by their subgrantees to assure they conform to the same standards.

The Department's procedures require subrecipient community action agencies (CAAs) to submit monthly cash reports based on their actual and estimated expenditures. The Department monitors advances and payment requests to the 18 CAAs.

For nine of forty-two cash reports reviewed for the Low-Income Home Energy Assistance program (LIHEAP), the month end cash balances were not expended within the next month.

Recommendation – The Department should closely monitor cash balances to ensure compliance with federal guidelines.

Response and Corrective Action Planned – Subrecipient agencies are required to submit monthly cash reports based on actual and estimated expenditures. The Department monitors all advances and payment requests to determine excess funds. Historically, it has been difficult to project costs for November through January. Climatic conditions and the price of fuel impact the estimated and actual numbers significantly.

Staff will review feasibility of using interim reports during those months or other payment options to be compliant with cash management requirements. LIHEAP staff will conduct on-site monitoring visits of each agency annually and specifically address the issue of excess funds. LIHEAP has implemented a policy that requires agencies to return excess funds when identified.

The Department also met with the state auditors twice to review subrecipient cash advance procedures. Recommendations for strengthening procedures were implemented. The instances cited above occurred before these meetings. The Department is confident that during review of cash advances for the year ended June 30, 2005, few if any, instances of excessive funds on hand at the subrecipient level will be found.

The Department will continue to closely monitor cash management procedures to ensure compliance with federal guidelines.

Conclusion – Response accepted.

June 30, 2004

CFDA Number 93.568: Low-Income Home Energy Assistance

Agency Number: G04B1IALIEA

Federal Award Year: 2004

State of Iowa Single Audit Report Comment: 04-III-HHS-379-13

- (3) Monitoring of Subrecipient Audit Reports – OMB Circular A-133 Subpart C.300(e) and Subpart D.400(d)(4) require the Department to ensure subrecipients expending \$500,000 or more in federal awards submit audit reports to it within nine months of the subrecipient's fiscal year end. The Department has established a policy to perform timely reviews of the audit reports within six months of receipt and send out letters of findings as appropriate.

Five of nineteen subrecipient audit reports received had been reviewed. Of the five reviewed, four were not reviewed in a timely manner.

Recommendation – The Department should follow established policy to ensure subrecipient audit reports are reviewed in a timely manner.

Response and Corrective Action Planned – The State of Iowa installed an entirely new budget and financial system in the later months of the year ended June 30, 2004. The new I-3 system bore no similarities to the previous Iowa Financial Accounting System which had been used for two decades. Because of the numerous training sessions that all financial staff were required to attend, the learning process that took place from June 2004 through the fall after the system went live, and the various bugs and problems encountered with I-3, the Department fell behind, not completing all its normal work duties on time. These projects are now being completed. All subrecipient audits should be reviewed and resolved by March 31, 2005.

Conclusion – Response accepted.

June 30, 2004

Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

- (1) Commission and Council Meetings – The Iowa Department of Human Rights includes eight councils and commissions established under Chapter 216A of the Code of Iowa.

Chapter 69.15 of the Code of Iowa states a person appointed to a commission is deemed to have submitted a resignation from office if they do not attend three or more consecutive meetings or if they attend less than one-half of the regular meetings within twelve calendar months beginning on July 1.

The Juvenile Justice Advisory Council had one member and the Commission on the Status of African Americans had two members who did not comply with the attendance requirements of Chapter 69.15 of the Code of Iowa.

The Commission on the Status of African-Americans had two vacancies.

Recommendation – The Department should continue its efforts to encourage member attendance as well as work with the Governor’s Office to have the vacancies filled.

Response – The Department does encourage commission member attendance. Teleconferencing, using ICN sites, scheduling meetings on weekends and evenings, and utilizing various locations around the state are just four of the methods the divisions have tried. However, if a commissioner/council member has not attended three or more consecutive meetings and thus has been deemed to have submitted a resignation from office, the appropriate Department division will inform the Governor’s Office of the situation. The Department of Human Rights does not have statutory authority to tender these resignations.

The Iowa Commission on the Status of African-Americans (ICSAA) had two vacancies during fiscal year 2004. However, the vacancies were filled for fiscal year 2005. ICSAA provided the Governor’s Office with several lists of names of potential Commission members for appointment consideration. ICSAA continues to provide these lists, and encourages potential members to submit applications.

Conclusion – Response accepted.

- (2) Commission of Latino Affairs – Chapter 216A.13 of the Code of Iowa requires the commission to meet not less than six times a year. Only four Commission meeting were held during fiscal year 2004.

Recommendation – The Department should implement procedures to ensure the Commission is in compliance with Chapter 216A.13 of the Code of Iowa.

Response – The former division administrator for Latino Affairs resigned in July 2003. The new division administrator, who began employment in August 2003, is working to ensure the Commission is in compliance with Chapter 216A.13 of the Code of Iowa. The first meeting after he began was held November 1, 2003. Subsequent meetings were held January 10, April 5 and June 23, 2004.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Rights

June 30, 2004

- (3) Commission on the Status of African-Americans – Chapter 216A.149 of the Code of Iowa requires the Commission to file a report, not later than August 1 of each year, with the Governor and the General Assembly of its activities for the previous fiscal year and its programmatic priorities for the current year. This report was not submitted to the Governor and the General Assembly by August 1.

Recommendation – The Department should implement procedures to ensure the Commission is in compliance with Chapter 216A.149 of the Code of Iowa.

Response – The administrator position of this commission was vacant for several months of fiscal years 2003 and 2004. The current division administrator did not begin employment until August 1, 2003, the due date for the report. A new division policy has been developed and the annual report will be submitted by August 1. This new policy will help ensure compliance with Chapter 216A.149 of the Code of Iowa.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Rights

June 30, 2004

Staff:

Questions or requests for further assistance should be directed to:

Kay F. Dunn, CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Tammy L. Mason, CPA, Senior Auditor
Mary Crystal A. Berg, CPA Staff Auditor
Jessica L. Christensen, Assistant Auditor
Jeffrey L. Lenhart, Assistant Auditor