



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

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE August 17, 2005

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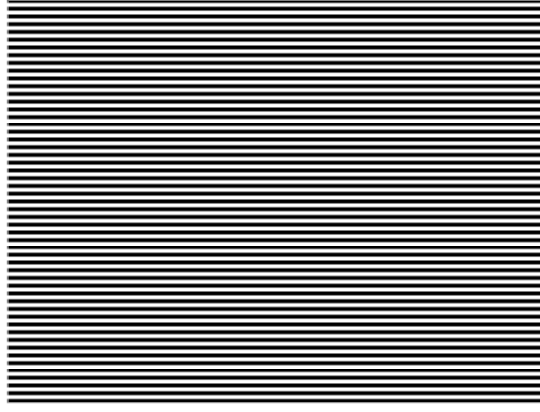
Auditor of State David A. Vaudt today released a report on the six divisions of the Iowa Department of Commerce for the year ended June 30, 2004.

The Department coordinates and administers the various regulatory, service and licensing functions relating to the conduct of business or commerce in the state.

Vaudt recommended the Insurance Division segregate duties within the payroll cycle. The Division responded favorably to the recommendation.

A copy of the report is available for review in each of the six divisions of the Iowa Department of Commerce or the Office of Auditor of State.

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

JUNE 30, 2004

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



David A. Vaudt, CPA
Auditor of State





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August 11, 2005

To Thomas B. Gronstal, Director of the
Iowa Department of Commerce:

The Iowa Department of Commerce 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 a matter concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed a recommendation which is reported on the following page. We believe you should be aware of this recommendation which pertains to the Department's internal control. This recommendation has been discussed with Department personnel and their response to this recommendation is 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 Commerce, citizens of the State of Iowa and other parties to whom the Iowa Department of Commerce 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 6 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA
Auditor of State

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

Iowa Department of Commerce

Report of Recommendations to the
Iowa Department of Commerce

June 30, 2004

Finding Reported in the State's Single Audit Report:

No matters were noted.

Finding Related to Internal Control:

Insurance Division:

Segregation of Duties – Payroll – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Department's financial statements.

One individual has the ability to approve timesheets and payroll journals and receive and distribute payroll warrants. In addition, the same individual has the ability to initiate, approve and input employee information into the Human Resource Information System (HRIS).

Recommendation – Adequate segregation of duties should be established so the same individual does not have the ability to approve timesheets and payroll journals and receive and distribute payroll warrants. In addition, the same individual should not have the ability to initiate, approve and input employee information into the HRIS.

Response – We will take steps immediately to segregate duties of the individual in charge of administrative support. Some duties currently undertaken by this individual will be assigned to another Insurance Division staff member.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the
Iowa Department of Commerce

June 30, 2004

Staff:

Questions or requests for further assistance should be directed to:

Michelle Meyer, CPA, Manager
Jennifer Campbell, CPA, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Kip M. Druecker, Staff Auditor
Marc D. Johnson, Staff Auditor
Heather L. Templeton, Staff Auditor
Karen J. Kibbe, Assistant Auditor
Donna R. Neubauer, Assistant Auditor
Brandon J. Yuska, Assistant Auditor