



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ September 13, 2018

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released a report on the six divisions of the Iowa Department of Commerce for the year ended June 30, 2016.

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

Mosiman recommended certain Divisions within the Department increase controls over receipts, payroll and financial reporting. The Divisions responded favorably to these recommendations.

A copy of the report is available for review in each of the six divisions of the Iowa Department of Commerce, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

**JUNE 30, 2016**

**Iowa Department of Commerce**



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August 27, 2018

To Katie Averill, 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, 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 findings reported in the State's Report on Internal Control as well as those pertaining to the Department's internal control, 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 Commerce'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 Iowa Department of Commerce, 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 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 16 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:**

No matters were noted.

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

Alcoholic Beverages Division

(1) Financial Reporting

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 State's financial statements.

The Department records 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.

Condition - The following findings were noted:

- a) Prepaid expenses were understated by \$1,422,623. This was properly adjusted for reporting purposes.
- b) Construction commitments and other contractual obligations were overstated by \$1,310,873. This was properly adjusted for reporting purposes.

Cause – Policies have not been established and procedures have not been implemented to require an independent review of year-end cut-off transactions to ensure the State's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in Department employees not detecting the error in the normal course of performing their assigned functions.

Recommendation – The Department should establish procedures to ensure all prepaid expenses are identified and properly reported in the GAAP Package.

Response – The Comptroller and Accountant II received advice from DAS-SAE regarding the appropriate way to account for obligated costs incurred by the Division for construction contracts and improvements within the FY2016 GAAP package. The GAAP package submitted by the Division was reviewed by DAS-SAE and was later reviewed by the Auditor's office. The Division was notified by the Auditor's office that revisions were to be made to the GAAP package. These revisions have been completed in accordance with the Auditor's findings. The Division will work with DAS-SAE and the Auditor's office on future GAAP reporting issues and questions to ensure accurate and complete data is submitted.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Commerce

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(2) Capital Assets

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 State's financial statements.

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.

Condition – The following findings were noted:

- a) The Department did not perform a timely reconciliation of capital asset additions to I/3 expenditures.
- b) The beginning balances for governmental capital assets and the related accumulated depreciation did not agree to the prior year ending balances. This was properly adjusted for reporting purposes.
- c) For the business type capital assets, construction in progress additions were understated by \$1,009,968, buildings and building improvement additions were overstated by \$481,444, accumulated depreciation additions for buildings and building improvements was overstated by \$481,444, machinery and equipment accumulated depreciation additions were incorrectly reported as deletions of \$104,460 and the beginning balance for machinery and equipment accumulated depreciation did not agree to the prior year ending balance. These were properly adjusted for reporting purposes.
- d) Intangible asset additions were understated by \$98,117. This was properly adjusted for reporting purposes.

Cause – Policies have not been established and procedures have not been implemented to require a timely reconciliation of capital asset additions to I/3 expenditures and an independent review of capital asset additions to ensure they are properly capitalized.

Effect – Lack of policies and procedures resulted in Department employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation – The Department should develop written procedures to ensure a detailed, up-to-date capital asset listing is maintained. Procedures should include, but not be limited to, ensuring all capital asset additions are reconciled to I/3 asset purchases. The reconciliation should also be reviewed by a person independent of the record keeping process. The independent reviewer should sign and date the reconciliation as evidence of review. In addition, the Department should ensure capital assets are capitalized in the correct amounts.

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Response – The Division’s current asset listing will be reviewed on a yearly basis by the Chief Operating Officer, Comptroller and the Accountant II. Should revisions need to be made to the asset listing, the Comptroller will review the asset listing and make the necessary adjustments. The Division will also explore the application of the I/3 asset listing to the Division’s operations. Should the I/3 asset listing module prove sufficient for the needs of the Division, the current asset listing will be migrated into the I/3 system. This will provide the Division with a consolidated listing, as well as the ability to reconcile all assets within the I/3 system.

Conclusion – Response accepted.

**Other Findings Related to Internal Control:**

(A) Alcoholic Beverages Division

- (1) Inventory System – The Division implemented a new warehouse and inventory system on July 1, 2011. Because of issues encountered during the implementation of the new system, inventory was not being accurately reported. The Division began developing written procedures in fiscal year 2013 for the different components of the inventory process.

The Division will not deliver less than one case of special orders to customers. However, the inventory system allows for less than one case to be ordered. This leads to pickers zeroing out inventory when inventory is on hand. This is necessary for pickers to move on with filling their orders. Pickers should not have the ability to zero out inventory when inventory is on hand. When inventory is zeroed out, this causes a count and recount of the inventory zeroed out to get it back in the system. The count and recount policy is for two different employees to investigate variances, but the system does not prevent the same person from entering the count twice.

Recommendation – The Division should develop written procedures for future implementation, as well as identifying procedures to be performed over the inventory system. The Division should strengthen controls over the inventory cycle, including inventory purchasing, inventory maintenance, inventory sales and inventory counts.

Response – The Division implemented a new warehouse management system, Microsoft Dynamics AX. This new system has the ability to manage and segregate duties for all areas of distribution including inventory management. The Division has implemented Dynamics AX as of August 26, 2016. At the time of this report, the Division was in the management stage of the implementation. The project includes scripts and procedures to ensure staff follow procedures accurately and efficiently. The Division is currently working to improve inventory controls in the new system and will continue to make systematic changes and adjustments to achieve the best overall product for inventory control and warehouse management.

Conclusion – Response accepted.



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- (2) Procurement Practices – Per Department of Administrative Services procurement guidelines, all goods and services over \$5,000 should be bid out or associated with a Master Agreement. Documentation of bids received, vendor selection and notifications to Targeted Small Businesses (TSB) should be maintained. Contracts should have specific end dates and not self-renew, should be signed by both parties, should give preference to Iowa based businesses and include all appropriate clauses, including a payment clause and a monitoring clause.

The following were noted:

- In five instances, the contracts did not have adequate monitoring and review clauses to ensure performance of the contracts as required by Iowa Administrative Code rule 119.4.
- In one instance, the contract was not signed by a Division representative.
- In one instance, the contract was not signed by a vendor representative.
- In two instances, the end date was not specified in the contract.
- In three instances, the contract was self-renewing.

Recommendation – The Division should review its procurement practices to ensure compliance with the Code of Iowa and Department of Administrative Services purchasing policies.

Response – The Division has reviewed past contracts and made necessary changes to vendor agreements or explored new contracts where necessary. The Division has committed more resources to contract management and has consolidated the contract listing so the current ledger has the most recent and accurate contracts. Several of the contracts noted in the findings are no longer used by the Division, and in 2 of the cases, the total amount of the expenditure by ABD is under five thousand dollars for the year. The Division will continue to follow procurement rules and ensure that all contracts signed by the Division have been properly documented.

Conclusion – Response accepted.

(B) Division of Banking

- (1) Capital Assets – One person is responsible for both recording and reconciling capital assets. The Division does not maintain documentation of the reconciliation between the Integrated Information for Iowa (I/3) system and the Division's capital asset listing. In addition, the Division does not require documentation of supervisory approval before an asset is removed from the capital asset listing.

Recommendation – The responsibilities for recording and reconciling capital assets should be segregated. In addition, the reconciliation of capital assets should be documented and the capital asset listing should be supported by documentation indicating supervisory approval. Also, the deletion of a capital asset from the capital asset listing should be supported by supervisory approval.

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Response – The Division has procedures in place to segregate the duties of recording and reconciling our capital assets. The supervisory review and approval had been completed in an electronic format. In the future, we will provide a hard copy of documentation indicating the supervisory review and approval of the reconciliation and deletion of the capital assets from our records.

Conclusion – Response accepted.

(2) 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. The following findings were noted:

- a) The Division's capital asset additions were understated by \$1,407 and total capital asset were understated by \$117,983.
- b) The Division's capital assets depreciation expense was understated by \$19,015 and accumulated depreciation was understated by \$134,403.
- c) The Division understated future minimum rental payments for operating leases by approximately \$1,552,000. Additionally, current year operating lease expense reported for footnote disclosure was understated by \$77,638.

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

Response – The Division has worked with the auditors and the GAAP Team on the GAAP package for the adjustments that needed to be made to ensure it is accurate and complete.

Conclusion – Response accepted.

(C) Insurance Division

(1) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one individual may have control over the collection, deposit preparation, posting, maintaining receivable records, reconciliation, recording and accounting for cash receipts for which no compensating controls exist. A listing of mail receipts is not prepared by the mail opener, at least on a test basis.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Division should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including employees of other Divisions.

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Response – We continue to increase the percentage of filings and fees that are received electronically via ACH transfer. We do not accept cash in any instance. However, the agency still receives a high volume of paper checks. These are immediately endorsed to the Insurance Division by the mail opener. We simply lack sufficient staff to further segregate duties.

Conclusion – Response acknowledged.

- (2) Securities Bureau Receipts – The Securities Bureau receives funds which are recorded in separate databases maintained within the Bureau and are then sent to accounting to be deposited and recorded in the Integrated Information for Iowa (I/3) system. The receipts recorded in the databases are not reconciled to deposits recorded in the I/3 system.

Recommendation – To improve controls over the receipt process, receipts posted in the Securities Bureau databases should be periodically reconciled to the deposits recorded in the I/3 system.

Response – The corporate finance unit in the Securities Bureau has seen a reduction in staff in past years and has challenges in staying current with processing registrations. The unit director will explore with our contract IT expert if there is some way to automate this, obviating the time needed for staff to do it. We will also try to occasionally pull a batch and do a reconciliation check.

Conclusion – Response accepted.

- (3) Payroll – The Division processes and records payroll and personnel information in the Human Resource Information System (HRIS). One employee may utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises. This individual also has the ability to initiate and approve timesheets. In addition, for the period July 1, 2015 through June 30, 2016, three P-1 documents were initiated and received department level approval by the same person.

Recommendation – To strengthen controls, the Division should develop and implement procedures to segregate the duties of the Human Resources Associates from the duties of payroll.

Response – The Division Budget Director reviews and signs the payroll journal. The Budget Director reviews the payroll information randomly by retrieving the table of authorized positions from the I/3 Data Warehouse to check the current pay and roster of employees is accurate. The Budget Director began doing departmental approvals of P-1s that are initiated by the human resource associate. In those instances where time exigencies (the need to make sure an employee is properly paid) necessitate that the human resource associate both initiate and approve a P-1, the policy going forward is for the Human Resources (HR) employee creating the P-1 to email the Budget Director in the rare cases where she also does departmental approvals. Subsequently, the Budget Director reviews the action taken, and either prints a screen shot or prints the email notice, and after review, initials them as approved. Copies of these approvals have been provided to the Senior Auditor. The Division goal is for 100% of the Department approvals being done by the Budget Director instead of the HR associate. The Division has insufficient staff to further segregate these duties.

Conclusion – Response accepted.

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(4) Financial Reporting – The Division records 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. The following findings were noted:

- a) \$181,769 of non-I/3 receivables reported on the fiscal year 2016 GAAP Package were subsequently recorded in the I/3 system in September 2016 and accrued to fiscal year 2016, overstating receivables by \$181,769.
- b) Expenditures for services received in June 2016 for \$86,624 recorded in I/3 after the hold-open period were not disclosed as payables on the Division's fiscal year 2016 GAAP package, understating payables by \$86,624.

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

Response – The Division acknowledges the finding and considers it as instructive. Both the receipt of funds and billing for expenditures that occurred after our GAAP package was filed were aberrational, but in any event, we will endeavor to ensure accuracy going forward.

Conclusion – Response accepted.

(D) Iowa Utilities Board

(1) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one individual may have control over the collection, deposit preparation, posting, maintaining receivable records, reconciliation, recording and accounting for cash receipts for which no compensating controls exist. A listing of mail receipts is not prepared, at least on a test basis.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Board should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including employees of other Divisions.

Response – The Iowa Utilities Board in calendar year 2017 developed specific internal control procedures to segregate the duties of cash receipts and the receivable journal. As of April 2017, the accounting supervisor opens the mail, the accounting tech 2 posts on I/3 and a separate accounting tech 2 posts the transaction in the A/R journal. In addition, the accounting supervisor reconciles accounts receivable to I/3. The Board recognizes the need for segregation of duties and is addressing the issues identified.

The Board implemented ACH payments in fiscal year 2018 and plans to extend online payments to include credit card and other similar mechanisms, which could be very instrumental in reducing the manual handling of checks.

Conclusion – Response accepted.

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- (2) Receipt Reconciliation – The Board receives funds which are recorded in a separate receivables journal maintained by the Accounting Team and then deposited and recorded in the I/3 system. The receipts recorded in the receivables journal are not independently reconciled to deposits recorded in the 1/3 system.

Recommendation – To improve controls over the receipt process, receipts posted in the receivables journal should be periodically reconciled to the deposits recorded in the I/3 system by an independent person.

Response – The Board directed its accounting supervisor to reconcile deposits and the receivables journal. The Board is also considering procuring an accounts receivable financials module in fiscal year 2019, which, if purchased, will add another method of reconciliation.

Conclusion – Response accepted.

- (3) Financial Reporting – The Board records receipts and disbursements in the 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) on a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year. The following findings were noted:

- a) Expenditures and corresponding grant reimbursement receipts for services received in fiscal year 2016 for \$95,000 recorded in I/3 after the hold-open period were not reported as a payable or receivable on the Board's GAAP package resulting in an understatement of receivables and payables by \$95,000.
- b) Unearned revenues were overstated by a total of \$143,141 as a result of errors identified after the GAAP package had been submitted.
- c) Accounts receivable were overstated by \$388,636 on the GAAP package as a result of IUB reporting the maximum calendar year 2016 Pipeline Safety Grant of \$781,125 as a non-I/3 accounts receivable on its fiscal year 2016 GAAP package instead of estimating the portion of the 2016 grant attributable to fiscal year 2016, or \$392,489.

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

Response – The GAAP package was submitted in September and the fiscal year 2016 pipeline safety grant was received subsequent to GAAP package submission. The Board recognizes and will monitor the process for estimating the Pipeline and Hazardous materials Safety Administration (PHMSA) amounts and attributing the estimate to the correct year.

The Board has implemented this recommendation and will continue to file amended statements if and when new information such as bills/grants are received.

Conclusion – Response accepted.

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

(A) Division of Banking and Professional Licensing Bureau

- (1) Targeted Small Business Procurement Goals – 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 of Commerce, Banking and Professional Licensing Divisions, for fiscal year 2016 was not set at a level greater than fiscal year 2015 actual TSB spending.

Recommendation – The Divisions should establish a TSB procurement goal which exceeds the previous year actual TSB spending or seek legislation to change this statutory requirement.

Response – In fiscal year 2016 the combined Divisions (Departments 213 and 217) spent \$89,863.36 for TSB purchases and will be changing the TSB purchase goal for fiscal year 2017 to \$90,000.

Conclusion – Response accepted.

(B) Professional Licensing Bureau

- (1) Board Members – Per section 544B.3 of the Code of Iowa, the Landscaping Architectural Examining Board is to be comprised of five members who are registered landscape architects and two members who are not registered landscape architects and who represent the public. The Board consisted of only six members, only one of which is a public member, after May 1, 2016.

Per section 543B.8 of the Code of Iowa, the real estate commission is to be comprised of five licensed members and two members who are not licensed to represent the general public. The board only consists of four licensed members.

Per section 543D.4 of the Code of Iowa, the Real Estate Appraiser Examining Board is to be comprised of five members who are certified real estate appraisers and two members who represent the general public. The Board consisted of only one public member until April 30, 2017. As of May 1, 2017, the Board is in compliance.

Per section 544C.2(1) of the Code of Iowa, the Interior Design Examining Board is to be comprised of five members who are registered interior designers and two members who are not registered and who shall represent the general public. The Board consisted of only four registered interior designers after May 1, 2016.

Recommendation – The Bureau should ensure the Board members are in compliance with the Code of Iowa.

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Response – The Professional Licensing Bureau reports to the Governor’s office any shortcomings in composition of the boards with follow-up on a regular basis. PLB has done everything in its power to see that Boards are properly comprised pursuant to Iowa law.

Conclusion – Response accepted.

(C) Division of Credit Unions

- (1) Targeted Small Business (TSB) Quarterly Report – 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 year.

The TSB procurement goal for the Division for fiscal year 2016 was not set at a level exceeding the fiscal year 2015 actual TSB spending.

Recommendation – The Division should establish a TSB procurement goal which exceeds the previous year actual TSB spending or seek legislation to change this statutory requirement.

Response – We met with IEDA regarding the TSB goal and have discussed whether we are required to set a goal higher than our spending in the previous year. We mistakenly believed we were not required to set a higher goal. Therefore, on the advice of IEDA, the Division previously set a realistic goal, but failed to comply with Iowa Code. Upon learning of the mistake made by the Iowa Division of Credit Unions, we will work to increase the goal every year from this point forward. However, we would like to note that given the size of our Division and our limited expenses, we do not expect to be able to meet our annual goal.

Conclusion – Response accepted.

(D) Insurance Division

- (1) Targeted Small Business Procurement Goals – 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 of Commerce, Insurance Division, for fiscal year 2016 was not set at a level greater than fiscal year 2015 actual TSB spending.

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Recommendation – The Division should establish a TSB procurement goal which exceeds the previous year actual TSB spending or seek legislation to change this statutory requirement.

Response – The Division received this audit finding last year as well. The Division acknowledges this directive which has now been clarified, so the Division intends to comply going forward.

Conclusion – Response accepted.

- (2) Certification of Self-Insurance Plans – Per Chapter 509A.15 of the Code of Iowa, the governing body of a self-insurance plan of a political subdivision or a school corporation shall file a certificate of compliance, actuarial opinion and an annual financial report with the Insurance Commissioner. Political subdivisions of the state or school corporations maintaining self-insured plans with yearly claims which do not exceed 2% of each entity's General Fund budget are exempt from the requirements of this Code section when the plan insures employees for all or part of a deductible, co-insurance payments, drug costs, short-term disability benefits, vision benefits, or dental benefits. The exemption shall not apply for the year following a year in which yearly claims are determined to exceed 2% of the political subdivision's or school corporation's General Fund budget.

In order for a governing body to be considered exempt from the requirements of this Code section, it submits its calculation documenting the yearly claims did not exceed 2% of the General Fund budget to the Division for approval. A review of a local entity's calculation was performed and it was determined the calculation was done incorrectly and an exemption was issued in error. The Division has not developed a formal process for reviewing and approving the waiver requests to ensure exemptions are appropriately issued.

Recommendation – The Division should ensure it is receiving accurate information and the governing body qualifies for the exemption.

Response – The Division respectfully disagrees with this finding. Based on our review of the Code of Iowa, it does not require self-insurance plans to be filed with the Insurance Division, and as such there is no requirement that the 2% waiver requests are to be reviewed by the Division. These are fully insurance plans with a small amount of self-funding (of the deductible) and given our mission and resources, we are limited as to how much time and effort we can devote into the regulation of “mini self-funded” plans. The Division lacks expertise in the field of public body finances and auditing, so we are not in a position of authority to create a form.

Conclusion – Response acknowledged. The Division should ensure it is receiving accurate information and the governing body qualifies for the exemption, as required by the Code of Iowa.

(E) Iowa Utilities Board

- (1) Targeted Small Business Procurement Goals – 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



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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 Iowa Utilities Board for fiscal year 2016 was not set at a level greater than fiscal year 2015 actual TSB spending.

Recommendation – The Board should establish a TSB procurement goal which exceeds the previous year actual TSB spending or seek legislation to change this statutory requirement.

Response – The Board will establish goals that comply with the law.

Conclusion – Response accepted.

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**Staff:**

Questions or requests for further assistance should be directed to:

Suzanne R. Dahlstrom, CPA, Manager  
Tammy A. Hollingsworth, CIA, Manager  
Brandon J. Vogel, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

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Jesse J. Probasco, CPA, Senior Auditor  
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Ashley A. Boleyn, Assistant Auditor  
Alex D. Dau, Assistant Auditor  
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