



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

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 12, 2006 \_\_\_\_\_

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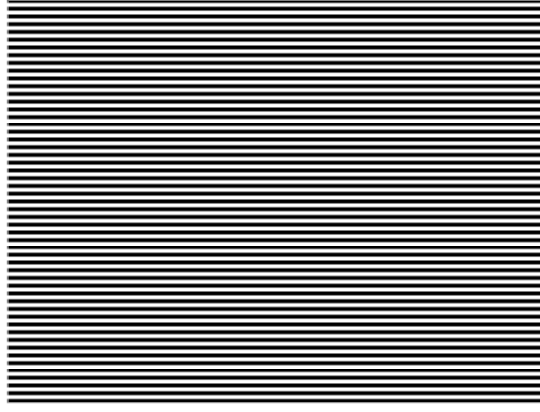
Auditor of State David A. Vaudt today released a report on the Office of Secretary of State for the year ended June 30, 2005.

The Secretary of State is the State Elections Commissioner, directs the State Land Office and commissions Iowa notaries public. In addition, the Office of Secretary of State receives and processes various reports and the related fees required of corporations, borrowers and lenders.

Vaudt recommended the Secretary of State improve controls over accounts receivable and the timely issuance of warrants.

A copy of the report is available for review in the Office of Secretary of State, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**REPORT OF RECOMMENDATIONS TO THE  
OFFICE OF SECRETARY OF STATE**

**JUNE 30, 2005**

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



**David A. Vaudt, CPA**  
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July 7, 2006

To the Honorable Chester J. Culver,  
Secretary of State:

The Office of Secretary of State is a part of the State of Iowa and, as such, has been included in our audit of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2005.

In conducting our audits, we became aware of certain aspects concerning the Office of Secretary of State's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on page 5. These recommendations pertain to the Office's internal control. These recommendations have been discussed with Office 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 Office of Secretary of State, citizens of the State of Iowa and other parties to whom the Office of Secretary of State 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 Office during the course of our audits. Should you have any 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 Office of Secretary of State 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

**Office of Secretary of State**

June 30, 2005

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

No matters were noted.

**Finding Related to Internal Control:**

- (A) Segregation of Duties – 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 Office of Secretary of State's financial statements.

One employee of the Office of Secretary of State receives payments on accounts receivable from the mail opener, prepares the deposit for those receipts and posts the payments to the accounts receivable system.

Recommendation – Adequate segregation of duties should be established so the same person does not receive payments on account, prepare the deposit and post the payments to the accounts receivable system.

Response – Duties have been segregated between reporting and depositing functions.

Conclusion – Response accepted.

- (B) Holding Warrants – Warrants written to counties for federal grant reimbursements were held for extended periods of time before being released to the payee.

Recommendation – To ensure proper internal controls, warrants should be released to the payee in a timely manner.

Response – Holding warrants is not a normal practice. Warrants are held a) at the request of the vendor (when they wish to pick the warrant up) or b) when the warrants are held to be hand delivered.

Conclusion – Response acknowledged. To strengthen internal controls warrants should not be held by the Department.

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

No matters were noted.

Report of Recommendations to the Office of Secretary of State

Schedule of Findings

June 30, 2005

**Staff:**

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager  
Karen L. Brustkern, CPA, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Carey L. Fraise, Assistant Auditor  
Donald J. Lewis, Assistant Auditor