



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

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**NEWS RELEASE**

FOR RELEASE July 18, 2006

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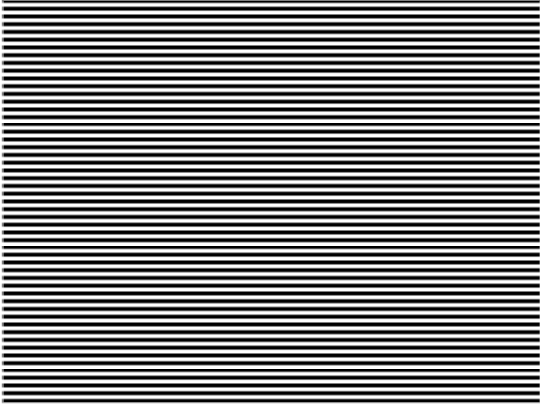
Auditor of State David A. Vaudt today released a report on the Iowa Department of Inspections and Appeals for the year ended June 30, 2005.

The Iowa Department of Inspections and Appeals was created for the purpose of coordinating and conducting audits, appeals, hearings, inspections and investigations related to the operations of Iowa state government. The Department also provides administrative support services for the Employment Appeal Board, Hospital Licensing Board, Child Advocacy Board, State Public Defender and the Iowa Racing and Gaming Commission.

Vaudt recommended the Department develop procedures to ensure federal funds are requested and received in a timely manner to minimize the amount of state funds used to operate federal programs. In addition, the Department should ensure surveys of care facilities are completed with the required time limit.

A copy of the report is available for review in the Iowa Department of Inspections and Appeals, 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  
IOWA DEPARTMENT OF INSPECTIONS AND APPEALS**

**JUNE 30, 2005**

Office of

**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
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July 14, 2006

To Steven K. Young, Director of the  
Iowa Department of Inspections and Appeals:

The Iowa Department of Inspections and Appeals 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, 2005.

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 within the State's Single Audit Report as well as a recommendation pertaining to the Department's compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to the 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 Inspections and Appeals, citizens of the State of Iowa and other parties to whom the Iowa Department of Inspections and Appeals 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 7 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 Inspections and Appeals**

June 30, 2005

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

**CFDA Number: 93.777 - State Survey and Certification of Health Care Providers and Suppliers**

**Agency Number: None**

**Federal Award Year: 2005**

**State of Iowa Single Audit Report Comment: 05-III-HHS-427-19**

Surveys – The State Operations Manual, section 2141 A-D outlines Intermediate Care Facilities for the Mentally Retarded (ICF-MR) have a time-limited certification which is limited to 12 full calendar months. The surveys are allowed a 2 month extension of term if specified criteria are met. During our review we found 74 ICF-MR facilities in which the current surveys were not issued within the allowable 14 month time frame.

Recommendation – Each ICF-MR should be reviewed within the time frame allowed. For any facility which is greater than the 12 months, documentation of the reason for the 2 month extension should be included in the files.

Response and Corrective Action Planned – The audit comment is appropriate. The Department took proactive management action to address and correct this issue well before the audit was started.

The timing of the Specialized Services Bureau ICF-MR survey cycle started to manifest itself with a significant and sustained increase in complaint intakes needing to be timely investigated (e.g., 34% from November 2004). The spiking of complaints was partially attributed to an increase of self-reporting by facilities as a result of rule changes instituted by the Iowa Department of Human Services. The Department has a single Program Coordinator and six surveyors at its disposal to timely respond to these complaints and to conduct surveys (these surveyors have specialized certification unlike the surveyors conducting long-term care surveys). On average, 18 complaints per month needed to be investigated since November 2004, which represented a tripling of the number from the previous year. Approximately 40% of the complaints came from the resource centers in SFY05 (67 of 172). These complaints involved serious allegations of sexual abuse and death and required the Bureau to divert its limited staff to conduct lengthy investigations.

Diverting the staff to conduct these sensitive investigations was a conscious decision. The annual surveys with possible revisits were put on hold using contract extensions. It was impossible to survey facilities coming up for their annual survey on a timely basis even with extensions and also address in a timely fashion these sensitive complaints. On average, 11 surveys needed to be conducted in each month. Iowa has 134 IMR facilities to survey during a 12 month rolling average. No state within our federal region even approaches the total number of IMR facilities that Iowa has to regulate (e.g., Nebraska – 4, Kansas – 31, and Missouri – 19).

Iowa proactively self-reported this issue to our federal partner in Kansas City (Centers for Medicare and Medicaid Services – CMS). The Department was also given permission by DAS/HRE and IDOM to hire two additional staff (historically speaking, the Bureau used to have eight field surveyors). Finally, the Department contracted with the Council on Quality Leadership (CQL) to complete 60 surveys between October 24, 2005 and January 31, 2006. All of our activities were coordinated with the Iowa Department of Human Services. As of February 1, 2006 the backlog of facilities to be surveyed is current.

# Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2005

Recognizing this Bureau will continue to struggle with timely completing the increase in complaint investigations and to survey 60+ of the facilities visited by CQL over a three month period 12 months hence, the Bureau has proactively asked permission from CMS to conduct earlier visits of some of these facilities throughout the year so as to spread the workload.

Conclusion – Response accepted.

## **Findings Related to Internal Control:**

No matters were noted.

## **Finding Related to Statutory Requirements and Other Matters:**

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. They also minimize the amount of state funds used to operate the program until the federal funds are received.

For the Food Stamps program, 8 of 26 requests for federal funds were not submitted in a timely manner. Therefore, the federal funds were received from 24 to 83 days after the warrants were issued.

For the State Survey and Certification of Health Care Providers and Suppliers program, 7 of 26 requests for federal funds were not submitted in a timely manner. Therefore, the federal funds were received from 15 to 39 days after the warrants were issued.

For the State Medicaid Fraud Control Units program, 6 of 26 requests for federal funds were not submitted in a timely manner. Therefore, the federal funds were received from 15 to 45 days after the warrants were issued.

Recommendation – The Department should develop procedures to ensure federal funds are requested and received in a timely manner in order to minimize the amount of state funds used to operate the program until the federal funds are received.

Response – The Department acknowledges some requests for federal funds were not submitted on a timely basis. Cash management procedures are in place for this process. However, during the summer months when two state fiscal years are open, top priority must be placed on reconciling and drawing funds for the year we are finishing, rather than drawing funds for the new fiscal year. As a result of cutbacks during the last several years, staffing limitations and task prioritization result in funds being drawn late during the fiscal year overlap period. One alternative may be to draw estimates timely, and later reconcile the draws as time and workloads permit. However, this alternative could result in funds being drawn in excess of need. This is also contrary to the intent of the Cash Management Act, and may be a more serious violation than drawing the correct amounts late. However, we will examine the viability of this option to determine if we can develop a methodology that will ensure funds are not overdrawn. Any change in procedure would be effective with the fiscal year 2007 audit.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2005

**Staff:**

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager  
Tammy A. Wolterman, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Scott P. Boisen, Staff Auditor  
Andrew N. Pulford, Assistant Auditor  
Ryan J. Sisson, Assistant Auditor  
Janet M. Tiefenthaler, Assistant Auditor