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NEWS RELEASE

FOR RELEASE _____ July 21, 2006

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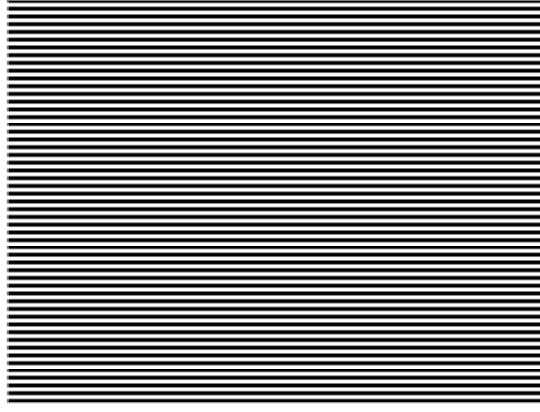
Auditor of State David A. Vaudt today released a report on the Iowa Department of Cultural Affairs for the year ended June 30, 2005.

The Department has primary responsibility for development of the state's interest in arts, history and other cultural matters.

Vaudt recommended the Department take steps to improve controls over revenues and cash collections. In addition, Vaudt recommended the Department improve oversight of certain state funded grant programs. The Department responded to each item in the report and stated corrective action is being taken.

A copy of the report is available for review at the Iowa Department of Cultural Affairs, 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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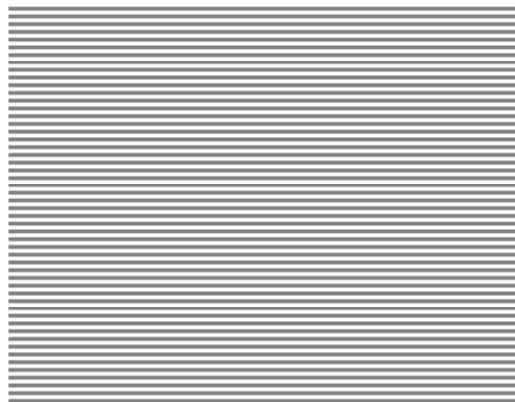
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF CULTURAL AFFAIRS**

JUNE 30, 2005

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



David A. Vaudt, CPA
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July 17, 2006

To Anita Walker, Director of the
Iowa Department of Cultural Affairs:

The Iowa Department of Cultural Affairs 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 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 pertain to the Department's internal control and 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 Department, 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 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 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

June 30, 2005

Findings Reported in the State's Single Audit Report:

No matters were noted.

Finding Related to Internal Control:

- (1) Segregation of Duties Over Revenues – An important aspect of internal control is the segregation of duties over receipts. A restrictive endorsement is not placed on all checks as they are received. A person who does not record or prepare deposits does not open the mail and prepare an initial listing and reconcile the listing to the actual deposit.

In fiscal year 2005, Cultural Affairs did not use pre-numbered receipts and the mail receipts were not reconciled to the deposit and to the I/3 posting. The I/3 posting of receipts was not verified in a timely manner by the individual divisions to help ensure the completeness of the deposit.

Recommendation – The Department should take steps to ensure receipts are correctly posted and accounted for. Pre-numbered receipts should be used to track receipts and an initial receipt listing should be prepared. The listing should be reconciled to the deposit and to the I/3 posting in a timely manner. Mail receipts should be opened and restrictively endorsed by a person who does not record or prepare deposits.

Response – Proper revenue processing procedures have been reviewed with the receptionist, who opens the mail. She is now restrictively endorsing all checks and recording them in a receipt log spreadsheet that will be reconciled to the deposit and I/3 posting in a timely manner.

Conclusion – Response accepted.

- (2) Cash Collections at the State Historical Society Libraries – An important aspect of internal control is the establishment of policies and procedures that provide for accountability over assets which are susceptible to loss from errors and irregularities. The receipts listing is not reconciled to the amounts recorded and deposited or reviewed by an independent person at the Iowa City facility.

Recommendation – The Department should deposit cash at least weekly. Also, an independent person should reconcile the initial receipts listing at the Iowa City facility to the amounts recorded and deposited.

Response – Due to limited staffing in the Iowa City office, it is sometimes difficult to make timely deposits. We will make every effort to comply with the Code of Iowa and make deposits within ten working days of receipt. The Department will also establish a cash receipt log for the Iowa City office, similar to the one used in the Des Moines office. This will allow the Des Moines staff to compare actual deposits to the receipt log.

Conclusion – Response accepted.

June 30, 2005

Findings Related to Statutory Requirements and Other Matters:

- (1) Historical Resource Development Program Emergency Grants – The Department administers the historical resource development program (HRDP) established by Section 303.16 of the Code of Iowa. Grants to preserve, conserve, interpret, educate the public about and enhance the historical resources of the state are provided through appropriations made available from the REAP program. The annual and emergency REAP/HRDP grants have separate and specific application and selection processes.

Emergency grants are funded on a first come, first served basis after approval. If a project is determined not to be an emergency, it will not be funded and the applicant can apply using the annual grant process. The files for three REAP/HRDP emergency grants funded during the fiscal year ended June 30, 2005 did not contain a steering committee review, critique and scoring to determine the seriousness of the grant request.

Recommendation – The Department should maintain all required documentation in award files to demonstrate the application and selection process is followed.

Response – One of the emergency grants that lacked all the review score sheets was awarded in September 2004. It is correct that only one of the grant committee score sheets is in this file (05-004E). A staff member located the e-mails documenting the date and outcome of the grant steering committee meeting for this project and placed them in the file.

As part of a “kaizen” process improvement event held the last week of March 2006, the department management team committed to dedicating administrative support to the program. Having assigned support staff should allow the grant program files to be kept up-to-date and carefully monitored for completeness.

Conclusion – Response accepted.

- (2) Character Counts Through the Arts Grant – The Department administers the Character Counts Through the Arts grants program. The purpose of the grants is to bring a trained artist to a school or community location to enhance a character education program. The program allows the awarding of grants once to each school applicant per fiscal year. Grant recipients are required to file a final report with the Department and formally inform a legislator of the grant activity through a legislative notification.

In fiscal year 2005, ten of sixteen grants requiring a copy of the legislative letter did not have a copy of the letter in the grant file.

Recommendation – Award files should contain all required documentation including the final report and the copy of the legislative letter.

Response – There was a change in the time frame in which the Arts Council was asked for the legislative letters from the applicants. At one time, letters were requested at time of legislative letters from the applicants. At one time, letters were requested at time of application submission. Later, letters were requested at the time the final reports were submitted. This change caused confusion for the applicants. It also caused internal processing changes and resulted in a few missing letters from some applicants and one missing final report. The Character Counts Through the Arts Grant program was ended in FY06. All remaining award files will continue to be monitored for completeness.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Cultural Affairs

June 30, 2005

Staff:

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager
Daniel L. Durbin, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Karen J. Kibbe, Staff Auditor
Chad D. Lehman, Assistant Auditor