



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

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NEWS RELEASE

FOR RELEASE _____ June 29, 2007

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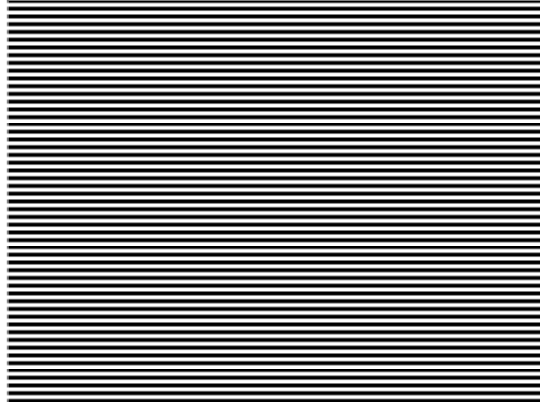
Auditor of State David A. Vaudt today released a report on the Iowa Department of Education for the year ended June 30, 2006.

The Department is empowered to exercise general supervision over the State system of education, including all Iowa local community school districts, merged area schools, area education agencies and other local agencies and non-public schools to the extent necessary to ascertain compliance with Iowa school laws. In fulfilling the responsibilities assigned to it by law, the Department provides and strives to improve programs and support services necessary to meet the identified state and federal educational needs of Iowa, efficiently and effectively.

Vaudt recommended the Department develop and implement procedures for monitoring subrecipients and their eligibility and ensure reports are submitted timely for various federal programs. In addition, the Department should develop procedures to ensure amounts collected for various fees and licenses are in compliance with the Iowa Administrative Code and to establish appropriate controls. The Department's responses are included in this report.

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

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

JUNE 30, 2006

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



David A. Vaudt, CPA
Auditor of State





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STATE OF IOWA

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June 26, 2007

To the Members of the State
Board of Education:

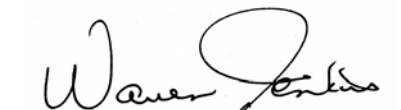
The Iowa Department of Education is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2006.

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 in the State's Single Audit Report, as well as other recommendations pertaining to the Department's internal control, 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 Iowa Department of Education, citizens of the State of Iowa and other parties to whom the Iowa Department of Education 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 14 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 Chester J. Culver, Governor
Charles J. Krogmeier, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2006

Findings Reported in the State's Single Audit Report:

CFDA Number: 10.553 – School Breakfast Program
Agency Number: 2005IN109943, 2006IN109943
Federal Award Year: 2005, 2006

CFDA Number: 10.555 – National School Lunch Program
Agency Number: 2005IN109943, 2006IN109943
Federal Award Year: 2005, 2006

CFDA Number: 10.556 – Special Milk Program for Children
Agency Number: 2005IN19943, 2006IN109943
Federal Award Year: 2005, 2006

CFDA Number: 10.558 – Child and Adult Care Food Program
Agency Number: 2006IN202043
Federal Award Year: 2006

CFDA Number: 10.559 – Summer Food Service Program for Children
Agency Number: 2005IN19943, 2006IN109943
Federal Award Year: 2005, 2006

State of Iowa Single Audit Report Comment: 06-III-USDA-282-2

- (1) Timely Submission – Federal requirements state the Department must submit the Summer Food (SF) 269 reports by dates specified in Title 7 of the Code of Federal Regulation (CFR) 277.11(c)(4). Two of the five required reports were not submitted timely.

Recommendation – The Department should ensure the reports are submitted timely.

Response and Corrective Action Planned – The second quarter 269 was late due to a system functionality issue. The Regional Office was contacted concerning the error that was occurring with the system. The issue was resolved and the second quarter 269 was submitted on May 12, 2006. The fourth quarter 269 was submitted on October 31 and was due on October 30. The responsibility for the submission of the 269 reports has been reassigned to the Bureau of Internal Operations and will be added to their calendar to ensure timely future submission.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2006

CFDA Number: 10.553 – School Breakfast Program

Agency Number: 2005IN109943, 2006IN109943

Federal Award Year: 2005, 2006

CFDA Number: 10.555 – National School Lunch Program

Agency Number: 2005IN109943, 2006IN109943

Federal Award Year: 2005, 2006

CFDA Number: 10.556 – Special Milk Program for Children

Agency Number: 2005IN19943, 2006IN109943

Federal Award Year: 2005, 2006

CFDA Number: 10.558 – Child and Adult Care Food Program

Agency Number: 2006IN202043

Federal Award Year: 2006

CFDA Number: 10.559 – Summer Food Service Program for Children

Agency Number: 2005IN19943, 2006IN109943

Federal Award Year: 2005, 2006

State of Iowa Single Audit Report Comment: 06-III-USDA-282-3

- (2) Evidence of Review – Federal requirements state the Department must submit the Food and Nutrition Service (FNS) 10 report. The report should have evidence of review. The reviewer did not sign the FNS 10 report filed for December 2005 and June 2006.

Recommendation – The Department should ensure the Departmental review is evidenced on the report.

Response and Corrective Action Planned –The Department is reviewing its procedures for the verification of the FNS 10 reports. The responsibility for the review of these submissions has been assigned to the Bureau of Internal Operations and will be added to their calendar to ensure timely future submissions.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2006

CFDA Number: 10.558 – Child and Adult Care Food Program

Agency Number: 2006IN202043

Federal Award Year: 2006

State of Iowa Single Audit Report Comment: 06-III-USDA-282-4

- (3) Administrative Reviews – Title 7 Code of Federal Regulations (CFR) 226.6(m)(4) states the Department is to review sponsoring organizations every three years for sponsors having 1-100 facilities and every two years for those having greater than 100 facilities. One center on a three year cycle had no supporting documentation for the on-site monitoring visit and one center was reviewed after the three year cycle.

Recommendation – The Department should ensure sponsoring facilities are reviewed within the proper three year cycle and adequate supporting documentation for the review is maintained.

Response and Corrective Action Planned – The Department is in the final stages of moving to a new web-based review and tracking system for CACFP that will be integrated with the current web-based CACFP application and claiming system. This new system, because of the linkages, reporting capabilities, web-based review forms and easier access for Lead Consultant monitoring, should prevent problems associated with a review accidentally not getting completed in accordance with the required timeframe or misplaced documents. We anticipate implementing the web-based review and tracking system by July 2007.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2006

CFDA Number: 10.558 – Child and Adult Care Food Program

Agency Number: 2006IN202043

Federal Award Year: 2006

State of Iowa Single Audit Report Comment: 06-III-USDA-282-5

- (4) Eligibility Reporting – Title 7 Code of Federal Regulations (CFR) 226.6(f)(9) states the Department must provide sponsoring organizations a list of elementary schools in the state which have at least half of their students eligible for free or reduced price meals by February 15th of each year. For fiscal year 2006, this listing was submitted March 17th.

Recommendation – The Department should ensure this listing is submitted timely.

Response and Corrective Action Planned – A final accurate list of 50% eligible schools based on October 2005 school lunch data cannot be determined with full confidence until all October claims are final 90 days after October 31, 2005 (January 29, 2006). This leaves little time to develop and transmit the final, accurate list on or before February 15, 2006. The final list was completed and transmitted on March 17, 2006. Please note, the tentative list (subject to revision) for fiscal year 2007 based on non-final October 2006 school lunch data has been transmitted as required, on February 5, 2007. The revised final list has subsequently been sent.

Conclusion – Response accepted.

CFDA Number: 10.558 – Child and Adult Care Food Program

Agency Number: 2006IN202043

Federal Award Year: 2006

State of Iowa Single Audit Report Comment: 06-III-USDA-282-6

- (5) Eligibility – Title 7 Code of Federal Regulations (CFR) 226.6 and 226.23 state sponsoring organizations must submit, their application, a copy of their valid center license, a policy statement, a media release and a non-school food service contract if using outside food service providers. In addition, Department of Education, consultants review and approve these applications, which involve signing and dating an approval checklist. For twenty-five application files reviewed, two applications did not contain a copy of the center's policy statement.

Recommendation – The Department should ensure all required parts of the application are submitted before approving a sponsor to participate in the Child and Adult Care Food Program.

Response and Corrective Action Planned – The Department, to the best of its knowledge, had policy statements on file for all CACFP agreements. Policy statements are collected one-time as a standard procedure and maintained in an historical file when approving every first-time application for CACFP participation. Any missing policy statement is an inadvertent oversight. The two identified missing statements were recollected during the State audit and are now on file.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2006

CFDA Number: 84.048 – Vocational Education-Basic Grants to States

Agency Number: V048A050015A

Federal Award Year: 2006

State of Iowa Single Audit Report Comment: 06-III-USDE-282-4

- (6) Subrecipient Monitoring – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of its subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations and provisions of the contract or grant.

The Department has established written policies and procedures for the performance of on-site monitoring of subrecipients. These policies state on-site monitoring visits will be performed once every three years for each subrecipient. Twenty-one of the ninety-eight subrecipients were not reviewed within the last three years.

Recommendation – The Department should ensure monitoring visits are performed within a three year cycle as established in the Department's written policies and procedures.

Response and Corrective Action Planned – The following is a description of the Iowa Department of Education's corrective action steps dealing with the 2006 federal award year audit of the monitoring of Perkins Grants. As stated in the Department of Education plan, monitoring of the awarded grants must be done on a three year cycle. Division staff have been provided with the guidelines to use in monitoring a log to track the Division's overall progress. Copies of the monitoring visit letters are recorded and filed in the Division's Perkins grant files.

There are currently nine educational consultants within the Division assigned to do monitoring. (When two new educational consultants join the Division by June 2007, those individuals will also have monitoring as a responsibility, bringing the total to eleven.) A group meeting has been held with all Career and Technical Education Consultants to discuss the issues with monitoring. The consultants are aware that they must complete all of their assigned monitoring visits no later than June 30, 2007. Staff are currently arranging visit times to do the monitoring.

To be sure that the Department comes into compliance with its monitoring, bi-weekly review of timesheets associated with Career and Technical Education Consultants will be done by the Bureau Chief, Bureau of Community Colleges and Career and Technical Education. Also, monitoring is listed as a goal for the affected educational consultants on their yearly evaluation forms. Monitoring will be a specific topic of conversation as yearly evaluations are completed.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2006

CFDA Number: 84.287 – Twenty-First Century Community Learning Centers

Agency Number: S287C050015

Federal Award Year: 2006

State of Iowa Single Audit Report Comment: 06-III-USDE-282-5

- (7) Subrecipient Monitoring – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of its subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations and provisions of the contract or grant.

The Department has established written policies and procedures for the monitoring of subrecipients. These policies require subrecipients to submit an annual Year-End Performance and Monitoring report by September 30 of each year. Six of the sixteen subrecipients had not submitted their Year-End Performance and Monitoring report timely. Only one of the ten submitted reports was also reviewed by the Department timely.

Recommendation – The Department should ensure the reports are submitted and reviewed timely.

Response and Corrective Action Planned – All subrecipients will be notified via formal letter that a Year-End Performance and Monitoring report must be submitted to the Department no later than September and Monitoring report must be submitted to the Department no later than September 30 of each year of the grant award and that failure to submit the report in a timely manner will result in the withholding of funds until the required report is received and approved by the Department.

Delays in submission of the Year-End Performance and Monitoring report will be documented by the Department consultant assigned to the grant program and will result in appropriate follow up by the consultant with the appropriate subrecipients.

Each Year-End Performance and Monitoring report will be reviewed by the Department's consultant assigned to the grant program within 15 working days of receipt. Review and approval by the consultant will be evidenced by the signature and date on each Year-End Performance and Monitoring Report.

Conclusion – Response accepted.

June 30, 2006

Findings Related to Internal Control:

- (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 of those of another. In the State Law Library of Iowa, two of the three employees have access to the cash receipts listing, deposits, billings and collections.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Law Library should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of various reviews should be indicated by individuals of the independent reviewer and the date of the review.

Response – The State Library of Iowa recognizes segregation of duties is important and has established new procedures for the handling of cash related items in the Law Library.

Law Library staff member Margaret Noon will handle the day to day activities of cash receipts and the petty cash fund. Every week Law Library staff member Cory Quist will reconcile the cash receipts and petty cash fund account to its authorized amount of \$25.00. Cory will then deliver the excess funds to State Library of Iowa staff member Steve Cox for deposit. Steve will prepare the deposit for delivery to the Department of Education's Internal Operations. Effective date of procedure-2/17/07.

Conclusion – Response accepted.

- (2) Reconciliation of Accounts Receivable – State and Law Library billings, collections and delinquent accounts were not reconciled throughout the year. In addition, listings of delinquent accounts were not retained.

Recommendation – Procedures should be established to reconcile billings, collections and delinquencies for the billing period. An independent person should review the reconciliations and monitor delinquencies.

A listing of delinquent accounts should be maintained for all billing periods and Library personnel should investigate all delinquencies and resolve through collection or established write-off procedures.

Response – The State Library of Iowa does not agree with this finding. The State and Law billings, collections and delinquent accounts are reconciled on a monthly basis with the following procedures.

Law Library staff member Mandy Easter reconciles the Law Library's billings, collections and delinquent accounts. A second written notice is sent to the vendors after thirty days and followed up with a telephone call reminding them that their bills are unpaid. Accounts are then cancelled if the vendor has not paid and they are required to pay for copy and fax services on a per transaction cash basis.

Report of Recommendations to the Iowa Department of Education

June 30, 2006

State Library of Iowa staff member Steve Cox reconciles the State Library's billings, collections and delinquent accounts. A second written notice is sent to the vendors after thirty days and a third written notice is sent out after sixty days. Vendors are no longer allowed library services after the third notice.

A manual listing of delinquent accounts is maintained at the Law and State Library of Iowa. At the suggestion of the State Auditor's office, an electronic version of delinquent accounts is being established. Effective date-3/31/07.

Unpaid delinquent billings have been sent to the Department of Education's Internal Operations, who informed the State Library of Iowa at one time, that if an unpaid bill was a "significant" amount, it could be turned over to the Department of Revenue and they could withhold the amount from the person's or business' tax return. From the delinquent billings sent, the State Library of Iowa has been informed none of them are high enough to attach to a return.

Conclusion – Response acknowledged. The State and Law Library should ensure prior month end balances, plus current billings, less payments received and authorized write-offs during the current month reconcile to the outstanding balances at the end of the current month.

- (3) Contractual Agreements – Under the authority of Executive Order #25, the Department established a number of service contracts with outside parties during the year ended June 30, 2006. For 30 contracts tested, the following items were identified:
- (a) The Department did not approve 20 contracts prior to the date of execution.
 - (b) For one contract requiring a pre-contract questionnaire, the questionnaire was not completed.
 - (c) For one contract where sole source justification was required, a sole source justification form was not attached to the contract. In addition, the sole source justification form was completed but not signed for five contracts.

Recommendation – The Department should ensure contracts are properly approved and comply with the policies and procedures for contracts established by the Iowa Department of Administrative Services.

Response – The Department acknowledges the auditor's comments. The Department has implemented and published procedures addressing the requirements for service contracting. Those procedures have been reviewed with all staff and are published on the Department's network. The Department will continue to work through the management team to address specific areas of noncompliance and to determine solutions that each work unit can implement to resolve timeliness issues and compliance with required documentation. We are continuing to work with units on timeliness of the issuance of contracts and are looking at developing consistent, department-wide worksheets to guide staff through the appropriate steps for developing and negotiating contracts.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2006

- (4) Reconciliation of Receipts – The Board of Educational Examiners does not reconcile the amounts collected through the issuance of licenses to the amount of cash receipts processed monthly by the Department of Education.

Recommendation – Procedures should be established to reconcile the amount of receipts from the issuance of licenses to the amount of cash receipts processed monthly by the Department of Education. An independent person should review the reconciliations and investigate any variances. Evidence of the reviews should be indicated by initials of the independent reviewer and the date of the review.

Response – The Executive Director for the Board of Educational Examiners will establish procedures to reconcile the amount of receipts from the issuance of licenses to the amount of cash receipts processed monthly by the Department of Education. The procedures will include the following: an independent person will review the reconciliations and investigate any variances that may occur; and, the reviews will be evidenced by the independent reviewer's initials and the date of the review.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2006

Findings Related to Statutory Requirements and Other Matters:

(1) Iowa Administrative Code Compliance – The Department was not in compliance with the following Chapters of the Iowa Administrative Code during the year ended June 30, 2006:

- (a) Adding Areas of Concentration to a Paraeducator Certificate – Iowa Administrative Code 282, Chapter 22.5(2) states the fee for the addition of each area of concentration to a paraeducator certificate, following the issuance of the initial paraeducator certificate and any area(s) of concentration, shall be \$25.

The Board of Educational Examiners is charging \$15.

- (b) Coaching Authorization – Iowa Administrative Code 282, Chapter 19.5 (2) states a one-year extension of the holder's coaching authorization will be issued if all requirements for the five-year renewal of the coaching authorization have not been met. This extension is not renewable. Effective September 1, 2005, the fee for the one-year extension shall be \$25.

The Board of Educational Examiners is charging \$40.

Recommendation – The Department should take steps to ensure compliance with the Iowa Administrative Code.

Response –

- (a) The staff for the Board of Educational Examiners has adjusted the fee charged to be in compliance with IAC 282, Chapter 22.5 (2).
- (b) The staff for the Board of Educational Examiners will recommend amendments to the Board in IAC 282, Chapter 19.5(2) to reflect the amount currently being charged.

Conclusion – Response accepted.

(2) Code of Iowa Compliance – The Department was not in compliance with the following provision of the Code of Iowa during the year ended June 30, 2006:

Chapter 256.23 of the Code of Iowa requires the Department to establish a recruitment and advancement program to provide for the allocation of grants to schools. The Department has not established this program.

Recommendation – The Department should take steps to ensure compliance with the Code of Iowa or seek to have the requirement removed.

Response – Chapter 256.23, Code of Iowa was established by the legislature but no funding for the purposes of this section has been appropriated. Until funds are appropriated to carry out the mandates of this section, the Department is unable to comply with the statute.

Conclusion – Response acknowledged. The Department should take the necessary action to obtain funding or seek to have the requirement removed from the Code of Iowa.

Report of Recommendations to the Iowa Department of Education

June 30, 2006

Staff:

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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Bradley A. Meisterling, Staff Auditor
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