



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_

July 16, 2007

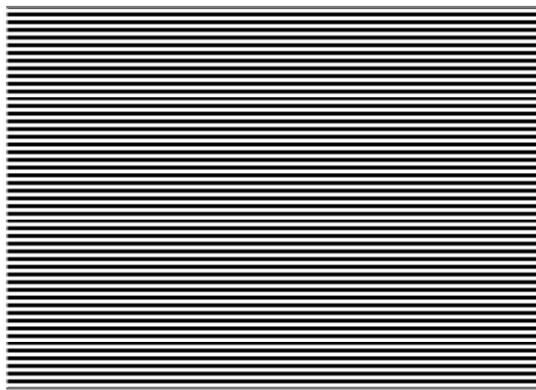
Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Transportation for the year ended June 30, 2006

The Department is responsible for planning, developing, regulating and improving the State of Iowa's transportation system to provide and preserve adequate, safe and efficient transportation services.

A copy of the report is available for review in the Iowa Department of Transportation, 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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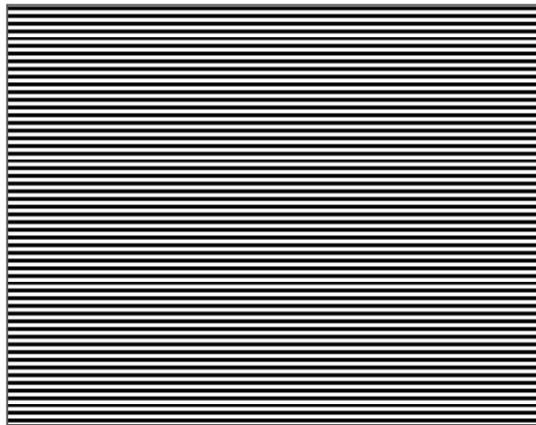
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF TRANSPORTATION**

**JUNE 30, 2006**

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



**David A. Vaudt, CPA**  
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July 12, 2007

To Nancy J. Richardson, Director of the  
Iowa Department of Transportation:

The Iowa Department of Transportation 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. 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 Transportation, citizens of the State of Iowa and other parties to whom the Iowa Department of Transportation 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 8 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

Report of Recommendations to the Iowa Department of Transportation

June 30, 2006

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

**INSTANCES OF NON-COMPLIANCE:**

**CFDA Number: 20.509 – Formula Grants for Other Than Urbanized Areas**

**Agency Number: None**

**Federal Award Year: 2006**

**State of Iowa Single Audit Report Comment: 06-III-DOT-645-1**

- (1) Period of Availability – OMB Circular A-133 requires expenditures for goods and services to fall within the contract period in order to qualify as a reimbursable expenditure. If needed, the contract period may be extended if approved by the awarding agency. The Department made two payments totaling \$25,464 outside of the contract period.

Recommendation – The Department should develop and implement written policies and procedures for overseeing and monitoring payments in order to verify they are within the contract dates or to ensure an extension to the contract period, if necessary, is appropriately granted.

Response and Corrective Action Planned – The Office of Public Transit has recently had a couple of meetings with the Federal Accounting section of the Office of Finance to improve staff understanding of proper financial procedures. We will include a focus on existing policies that are supposed to prevent payments outside of the project period.

Conclusion – Response accepted.

**REPORTABLE CONDITIONS:**

**CFDA Number: 20.205 – Highway Planning and Construction**

**Agency Number: None**

**Federal Award Year: 2006**

**State of Iowa Single Audit Report Comment: 06-III-DOT-645-2**

- (2) Procurement, Suspension and Debarment – OMB Circular A-133 states the Department is prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. The Department has established procedures to ensure transactions which go through the Office of Contracts are to contractors that are not suspended or debarred. The Department also has established procedures for requests for proposals (RFP's) processed through the Purchasing Department that includes language for procurements when it is known federal funds will be utilized which require vendors to certify they are not suspended or debarred. However, one RFP that went through the Purchasing Department did not include this language.

Recommendation – The Department should ensure established policies and procedures are followed by including the appropriate language in the RFP or by performing a verification check for covered transactions by checking the Excluded Parties List System (EPLS) at <http://epls.arnet.gov>.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2006

Response and Corrective Action Planned – The Department will establish a special type of template for RFP's to be used when Federal funds are involved. The template will include debarment language previously approved by the Attorney's General staff and Federal Highway Administration. The Department will also adjust the standard terms and conditions to include the following language: The successful contractor certifies that they are not suspended or debarred from doing business by way of any official action of the Federal Government or the State of Iowa.

Conclusion – Response accepted.

**CFDA Number: 20.500 – Federal Transit – Capital Investment Grants**

**Agency Number: None**

**Federal Award Year: 2006**

**CFDA Number: 20.509 – Formula Grants for Other Than Urbanized Areas**

**Agency Number: None**

**Federal Award Year: 2006**

**State of Iowa Single Audit Report Comment: 06-III-DOT-645-3**

- (3) Subrecipient Monitoring of Davis-Bacon – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of the 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 delegated responsibility for compliance with federal requirements related to the Davis-Bacon Act to the director of the transit agency, who is the subrecipient for these projects. The Department has no written policies and procedures to ensure subrecipient monitoring includes compliance with the Davis-Bacon Act.

Recommendation – The Department should develop and implement written policies and procedures to determine and ensure compliance with Davis-Bacon requirements on federally participating FTA projects. The written policies and procedures should require oversight activities be performed during the course of the project to ensure federal requirements are met and corrective action is taken when non-compliance is noted.

Response and Corrective Action Planned – As a result of last year's similar finding, the Office of Public Transit (OPT) program administrators identified those subrecipients' contracts that included construction elements and shared with the project sponsors a packet on Davis-Bacon monitoring obtained from the Office of Contracts. A discussion of project sponsors' responsibilities for Davis-Bacon compliance monitoring is being added to the procurement chapter of OPT's Manager Handbook for which a draft should be available in April 2007. A presentation of these responsibilities will be made at the June 2007 Iowa Public Transit Association (IPTA) conference and then maintained so that it can be used with new transit managers, or others, as needed.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

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**CFDA Number: 20.509 – Formula Grants for Other Than Urbanized Areas**

**Agency Number: None**

**Federal Award Year: 2006**

**State of Iowa Single Audit Report Comment: 06-III-DOT-645-4**

- (4) Subrecipient Monitoring – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of the subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations and provisions of the contract or grant. To assist with monitoring of subrecipients, the Department requires transit agencies to submit quarterly and annual transit history reports. However, the procedures are not adequate to verify the accuracy of the reports.

Recommendation – The Department should develop and implement written policies and procedures for overseeing and monitoring the accuracy of the transit history reports submitted by the transit agencies.

Response and Corrective Action Planned – Since implementing a requirement for electronic submission of transit statistical reports two years ago, the Office of Public Transit (OPT) has been able to greatly increase its analysis of the reasonableness of data submitted. The scope of these desk audits has increased each year, but the concern is apparently, the process is not documented in a written procedure. OPT will establish and publish a minimum set of analyses to be conducted on the year end data by August 2007.

OPT and the Office of Systems Planning have also been in discussion with the Audit section of the Office of Finance to begin a pilot program of financially and statistically-focused field reviews of subrecipients. An initial pilot was conducted, but the process had not moved any further. OPT will re-open that discussion with the goal of having a minimum of two such reviews conducted with transit subrecipients during fiscal year 2008.

Conclusion – Response accepted.

**CFDA Number: 20.509 – Formula Grants for Other Than Urbanized Areas**

**Agency Number: None**

**Federal Award Year: 2006**

**State of Iowa Single Audit Report Comment: 06-III-DOT-645-5**

- (5) Disposition of Equipment – The Department has included procedures in the Transit Manager's Handbook to be followed for disposing of vehicles acquired with Federal Transit Authority (FTA) funds. A transit agency has 45 days to post a notice stating equipment is available for sale/transfer on the Office of Public Transit website after accepting a replacement for a vehicle funded under the statewide grant unless a Delay for Disposition form is filed and an exemption is given. The notice is to be posted for 30 days after which the transit agency has up to 90 days to dispose of a replaced vehicle. For four of 10 vehicles tested, transit agencies did not follow established procedures for the disposition of vehicles acquired with FTA funds.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2006

Recommendation – The Department should ensure transit agencies follow established procedures for the disposition of equipment acquired with FTA funding.

Response and Corrective Action Planned – The Office of Public Transit (OPT) will begin including a reminder of the disposition requirement and timeline with the final payment on any replacement vehicles. OPT will also establish a process to track these “trigger” events, as well as the subsequent steps, so that follow-up can be performed, if needed.

Conclusion – Response accepted.

**Finding Related to Internal Control:**

Receipts Control – All mail receipts at the Department’s Park Fair Mall offices (Motor Vehicle Enforcement, Vehicle Services, Drivers Services and Motor Carrier Services) are opened in the centralized mail room, sent to the individual offices for processing and then delivered to a central location for deposit. Centralized mail room staff prepare an initial listing of cash received for each department, but an initial listing of checks received is not prepared. Checks are not restrictively endorsed until just prior to being deposited.

Recommendation – To maintain adequate control over cash and checks received, the Department should have the mailroom staff prepare a random listing of checks received in the mail each day, in addition to the initial listing of cash received. Someone independent of the initial listing preparation, recording and deposit of mail receipts should trace the items on the initial listings of cash and checks to subsequent recording and deposit.

Response – The new procedures are anticipated to be implemented in July 2007.

Conclusion – Response accepted.

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

No matters were noted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2006

**Staff:**

Questions or requests for further assistance should be directed to:

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Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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