



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ June 11, 2007

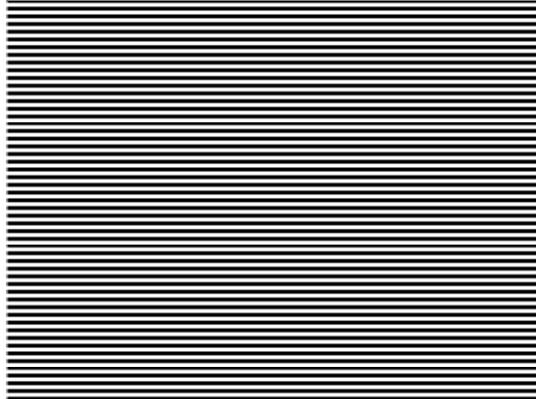
Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Public Defense for the year ended June 30, 2006.

The Iowa Department of Public Defense is composed of the Military Division and the Homeland Security and Emergency Management Division. The main responsibilities of the Military Division are to protect the citizens of the state, recruit and train military personnel and maintain the National Guard armories throughout the state. The Homeland Security and Emergency Management Division is responsible for disaster preparedness and relief coordination throughout the state.

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

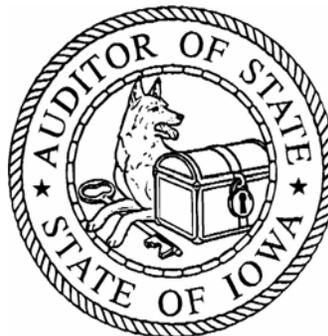
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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF PUBLIC DEFENSE**

JUNE 30, 2006

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



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June 8, 2007

To Major General Ron Dardis, Adjutant General
of the Iowa Department of Public Defense:

The Iowa Department of Public Defense is 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 recommendations pertaining to the Department's internal control and statutory requirements. 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 Public Defense, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Defense 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 Chester J. Culver, Governor
Charles J. Krogmeier, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2006

Finding Reported in the State's Single Audit Report:

CFDA Number: 97.004 – State Domestic Preparedness Equipment Support Program
Agency Number: 066591/066898/074207
Federal Award Year: 2003, 2004
**Iowa Department of Public Defense – Homeland Security and Emergency
Management Division**

State of Iowa Single Audit Comment: 06-III-DHS-583-1

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. As stated in the Cash Management Improvement Act (CMIA) Agreement, the State Domestic Preparedness Equipment Support program is funded on a cash advance basis. This means federal draws are not to be deposited more than three days prior to the date of disbursement.

In addition, effective cash management procedures also minimize the amount of state funds which must be used to operate the program until the federal funds are received.

As part of its cash management procedures, the Homeland Security and Emergency Management Division accumulates reimbursable costs for each federal program on a spreadsheet. These spreadsheets are to support requests for reimbursement for federal programs and are attached to a summary spreadsheet or cash receipt.

A review of the Department's ledgers and cash management system identified seventeen instances where the cash balance was in excess of \$100,000 for a period of four to seventy-nine days.

Recommendation – The Department should develop and implement procedures to ensure federal funds are drawn in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – Procedures have been implemented to resolve excessive cash balances and this should not be a problem in future years. This grant is in the process of being closed out and issue should be resolved by the end of this fiscal year.

Conclusion – Response accepted.

June 30, 2006

Finding Related to Internal Control:

Purchasing Cards – The Purchasing Card is a MasterCard credit card issued by Commerce Bank to the State of Iowa. The purpose of the Purchasing Card Program is to establish a faster, more cost-effective method for purchasing and payment. The Iowa Department of Administrative Services (DAS) implemented policies and procedures governing the program.

The DAS Purchasing Card policy requires a cardholder to be an employee of the State of Iowa who is designated by their supervisor, and approved by the Agency Administrator, to utilize the Purchasing Card to purchase supplies and/or goods. The cardholder is subject to single transaction limitations and a monthly limit. Each purchase must be supported by a receipt or other supporting documentation. Cardholders may only hold one card. A card that does not have the cardholder's signature in the signature block is technically an invalid card.

The DAS Purchasing Card policy requires an Agency Administrator to be designated within the Agency for questions, issues and administration of the program. The Agency Administrator should keep an active and historical listing of all purchasing cards and limitations.

A review of purchasing card transactions identified the following findings:

Homeland Security and Emergency Management Division:

Six of twelve payments were paid more than 25 days after the statement date which is contrary to the terms of the agreement and resulted in assessment of late fees.

Military Division:

- 1) Fifteen items purchased in September and October 2005 for Hurricane Katrina relief exceeded the individual card limit for daily transactions.
- 2) Airline tickets and hotel charges were incurred with purchasing cards, which is unallowable, for certain users.

The Military Division asserted it was allowable to increase card limits and incur airline tickets and hotel charges with the purchasing card for State Active Duty Emergencies. The Division does not have written policies and procedures regarding State Active Duty Emergencies.

Recommendation –

The Homeland Security and Emergency Management Division should establish procedures to ensure timely payment.

The Military Division should develop and implement written policies and procedures regarding increasing individual card limits during State Active Duty Emergencies including exceptions for certain charges. They should also set card limits for State Active Duty Emergencies.

Response –

The Homeland Security and Emergency Management Division has turned over all payments to the Department's Comptrollers office. Payments are now being done in a timely manner.

Written policies and procedures for purchasing card use by the Military Division during State Active Duty will be in place by June 30, 2007.

Conclusion – Response accepted.

June 30, 2006

Finding Related to Statutory Requirements and Other Matters

Biennial Reports – Chapter 7A.3 of the Code of Iowa requires the Adjutant General to file a biennial report in each even-numbered year. The reports shall cover the biennial period ending June 30 and shall be filed as soon as practicable after the end of the reporting period. The Adjutant General is also required, in addition thereto, in each odd-numbered year, to file summary reports relating to their operations for the preceding fiscal year. Such reports shall be filed as soon as practicable after June 30 of each odd-numbered year. Biennial reports shall be as detailed as may be required by the governor, or in case the reports are to be filed with the general assembly, the presiding officers of the two houses of the general assembly. The biennial reports for fiscal years 2003, 2004, 2005 and 2006 have not been filed.

Recommendation – The Adjutant General should take steps to ensure compliance with the Code of Iowa.

Response – All annual reports have been completed as of May 15, 2007 and submitted to the Governor's office. Future reports will be completed by January 31 following the close of each fiscal year.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2006

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Chad D. Lehman, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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Gelu Sherpa, Assistant Auditor
Janet M. Tiefenthaler, Assistant Auditor