FISCAL UPDATE August 8, 2001

 Legislative Fiscal Bureau (515)-281-5279 FAX 281-8451

 <http://staffweb.legis.state.ia.us/lfb/>

Audit Report – Department of Agriculture and Land Stewardship

**Audit Report** The State Auditor issued the FY 2000 Audit Report for the Department of Agriculture and Land Stewardship on March 16, 2001. The Legislative Fiscal Bureau received the report on June 15, 2001.

 ***Reportable Conditions* –** The Report included two reportable conditions. They include:



**Cash Management *Fees and Miscellaneous Receipts*** – The Administrative Division collects and deposits the miscellaneous fees and receipts from the various Bureaus in the Department. One person receives the receipts, prepares the deposit, and records the deposit. No independent reconciliation is completed for this function.

1. Recommendation - The Department should implement procedures for an independent review and reconciliation of cash receipts and maintains documentation for any adjustments made to the receipts.
2. Response - The Department has segregated the duties of the cash receipts and procedures for reconciliation have been implemented.
3. Conclusion - Response accepted.



**Check Endorsement *Restrictive Endorsement of Checks Received*** – There were 122 checks reviewed and 25 of them did not have a restrictive endorsement by the Department.

1. Recommendation - The Department should implement procedures to ensure checks are restrictively endorsed by each Bureau within the Department.
2. Response – The Department has implemented procedures.

|  |  |  |
| --- | --- | --- |
|  |  |  |
| **IN THIS ISSUE:** | Audit Reports: | Audit Reports (continued): |
|  |  Dept. of Ag/Land Stewardship, pg. 1 |  Dept. of Justice, pg. 13 |
|  |  Dept. of Natural Resources, pg. 2 |  Dept. for the Blind, pg. 14 |
|  |  Sewage Treatment Works & Drinking |  Dept. of Human Rights, pg. 15 |
|  |  Water Facilities Financing Programs, pg. 5 |  Governor’s Office/Drug Control Policy, pg. 18 |
|  |  Board of Parole, pg. 5 |  Dept. of Elder Affairs, pg. 19 |
|  |  Newton Correctional Facility, pg. 6 |  Civil Rights Commission, pg. 20 |
|  |  Iowa Law Enforcement Academy, pg. 6 |  Iowa Veterans Home, pg. 20 |
|  |  Dept. of Public Safety, pg. 7 |  Dept. of Public Health, pg. 22 |
|  |  Dept. of Corrections’ Institutions, pg. 9 |  Dept. of Education, pg. 24 |
|  |  Dept. of Corrections, pg. 11 |  Dept. of Human Services, pg. 26 |
|  | Community-Based Corrections, pg. 12 |  Dept. of Human Services Institutions, pg. 29 |
|  |  |  |

1. Conclusion – Response accepted.

**Other Findings *Other Findings* -** The Report commented on several compliance issues with regard to the Code of Iowa that have not been accomplished by the Department. They include:



1. Inspections of all licensed grain dealers and warehouses to be completed every 18 months.
2. Issuance of a biennial report to the Governor complete with required information and statistics regarding soil and water conservation districts.
3. Inspection and regulation of bottled water.
4. Establishment of a specialty quality grains electronic bulletin board system.
5. Establishment of a sheep promotion division.
6. Timely payments to breeders of winning Iowa horses and dogs from the Iowa Horse and Dog Breeders Fund.
7. Establishment of rules for an appeal process for violations regarding agriculture drainage wells.
8. Promotion of degradable packaging by the Department.

**More Information** For more information on these comments, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Audit Report - Department of Natural Resources



**Audit Report** The State Auditor issued the FY 2000 Audit Report for the Department of Natural Resources on June 30, 2001. The report was received by the Legislative Fiscal Bureau on July 13, 2001.

**Reportable Conditions *Reportable Conditions* -** The Report commented on several compliance issues with regard to the Code of Iowa which have not been accomplished by the Department. Some of the issues include:

**Segregation of Duties *Miscellaneous Receipts* -** Miscellaneous receipts collected by the Department of Natural Resources are submitted to the cashier’s office for deposit. Persons working in this area are issued pre-numbered receipt books, however, these are not always issued in numerical order.



* Recommendation - The Department should issue receipt books in numerical sequence and a record should be maintained as to which employee has the receipt book.
* Response – A new system was established for issuing and tracking receipt books, which includes the employee that has been issued the book.
* Conclusion - Response accepted.

**Blufflands Revolving Loan *Blufflands Revolving Loan Fund* -** The Department did not properly code a loan made from the Blufflands Revolving Loan Fund to the Iowa Natural Heritage Foundation to purchase land in Allamakee County. The loan was coded as an expenditure in the “Other Professional and Scientific Survey” on the Iowa Financial Accounting System. The loan was not included as a receivable for the Department.

* Recommendation - The Department should properly code disbursements for loans and disclose all loans in the Department’s reporting package.
* Response - The Department will properly code all loans in the future.
* Conclusion - Response acknowledged.

**Licensing System *Licensing Audit Trail* –** The Department changed to a new licensing reporting system for hunting and fishing licenses at the beginning of the 1999 calendar year. During the month of January, there were no detailed records of collections received during the month.

* Recommendation - The Department maintain detailed records for all transactions to support license collections.
* Response - The Department did change systems, however, all receipts were accurately reported.
* Conclusion - Response accepted.

**Landfill Alternatives Program *Landfill Alternatives Loan Program*** - The Department does not conduct a financial background review on companies that participate in the Landfill Alternatives Loan Program. One Iowa company received a loan of $52,000 and then went bankrupt. The company paid the Department $10,000 and the Department recovered an additional $4,000 from the sale of equipment.

* Recommendation - The Department should investigate the financial background of all applicants applying for loans in the Landfill Alternatives Loan Program.
* Response - The Department has several review steps prior to issuing a loan to a company. They include a review of the merits of a program, capability of an applicant to carry out a project, and the long-term sustainability of both the project and the applicant.
* Conclusion - Response acknowledged.

**State Revolving Fund Loans *State Revolving Loan Funds*** - The Department receives loans from the Iowa Sewage Treatment Works Financing Program to make improvements to sewage systems at State Parks. Section 456.17, Code of Iowa, states repayment of the loan should come from revenue derived from the parks and recreations areas that is deposited into the Conservation Fund. Payment for the loan was made from the Resource Enhancement and Protection Fund (REAP).

* Recommendation - The Department should transfer $129,000 from the Conservation Fund to the REAP Fund and make future payments for the loan from the Conservation Fund.
* Response - The Department does not agree with the auditor’s recommendation as the loan payment was approved by the Bond Counsel and the Natural Resources Commission.
* Conclusion - Response acknowledged.

**Operating Leases *Operating Leases*** - The Department maintains a schedule of future payments on operating leases. The lease schedule did not include all new or amended leases for FY 2000 on the schedule.

* Recommendation - The Department should include all lease agreements on the schedule.
* Response - The Department will include all lease agreements on the schedule.
* Conclusion - Response accepted.

**Miscoded Receipts *Miscoded Receipts*** - The Department deposited receipts received after June 30, 2000, for services provided during FY 2000, however the receipts were deposited for FY 2001.

* Recommendation - The Department should ensure all receipts are deposited for the appropriate Fiscal Year.
* Response - The Department will review all receipts and code them for the appropriate Fiscal Year.
* Conclusion - Response acknowledged.

**Other Findings** Other findings and matters included:

* Water Coordinator-–Section 455B.105(10), Code of Iowa, states the Environmental Protection Commission should appoint a water coordinator to process public requests for information or assistance relating to the administration of water resources laws and programs. The Commission has not appointed a water coordinator.
* Pollution Hotline Program—Section 455B.116, Code of Iowa, states that the Department of Natural Resources should establish a toll-free number for citizens to report incidents resulting in the pollution of the environment. The Department has not established this program.

* Water Allocation and Use for Flood Plain Control—Section 455B.262, Code of Iowa, states the Department will assess the water needs of all water users and submit a progress report to the General Assembly. The Department has not assessed the needs or submitted a progress report.
* Registry of Hazardous Waste or Hazardous Substance Disposal Sites—Section 455B.426(2), Code of Iowa, states the Director will investigate all known or suspected hazardous waste or hazardous waste disposal sites. The Department has not investigated all known or suspected hazardous waste disposal sites.
* Comprehensive Groundwater Monitoring Network—Section 455E.8(1), Code of Iowa, states the Director will develop a comprehensive groundwater monitoring network in cooperation with soil and water conservation district commissioners and other State and local agencies. The Department has not developed a comprehensive groundwater monitoring network.

**More Information** For more information on these comments, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Audit Report - Iowa Sewage Treatment Works and Drinking Water Facilities Financing Programs

**Audit Report** The State Auditor issued the FY 2000 Audit Report for the Iowa Sewage Treatment Works Program and the Iowa Drinking Water Facilities Program on March 13, 2001. The Legislative Fiscal Bureau received the report on June 23, 2001.



**Background**  The Iowa Sewage Treatment Works Program was created by the State in 1988 to implement the provisions of the federal Water Quality Act of 1987. The Act authorizes capitalization grants from the Environmental Protection Agency to states for the construction of wastewater treatment facilities. States are required to provide at least 20% in matching funds.



**Drinking Water Program** The Iowa Drinking Water Facilities Financing Program was created by the State in 1997 and amended in 1998 to implement provisions of the federal Safe Drinking Water Act Amendments of 1996. The Program authorizes the Environmental Protection Agency to make capitalization grants to states for the purpose of establishing a drinking water revolving fund to finance the construction of drinking water facilities. States must provide at least 20% in matching funds.

**Reportable Conditions**The Report indicated there were no reportable conditions noted in the financial reporting and operation of the Iowa Sewage Treatment Works Program and the Drinking Water Facilities Financing Program. The Report indicated the Programs complied with all federal requirements.

**More Information** For more information on these comments, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Audit report - Board of Parole



**Audit Report** The Legislative Fiscal Bureau has received the Auditor of State’s Report for the Board of Parole for FY 2000. The Board’s internal control system, compliance with statutory requirements, and accounting practices were reviewed. The audit did not disclose any reportable findings or areas of recommended changes. A copy of the Report is available upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

audit report - Newton Correctional Facility



**Audit Report** The Legislative Fiscal Bureau has received the Auditor of State’s Report for the Newton Correctional Facility for FY 2000. The Facility’s internal control system, compliance with statutory requirements, and accounting practices were reviewed. The audit did not disclose any reportable findings or areas of recommended changes. A copy of the report is available upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Audit Report - Iowa Law Enforcement Academy

**Audit Report** The Legislative Fiscal Bureau has received the annual audit report for the Iowa Law Enforcement Academy. The FY 2000 Report was received by the Fiscal Bureau June 12, 2001. The Auditor of State found the following conditions:

**Segregation of Duties *Segregation of Duties*** – An important aspect of internal control is the segregation of duties among employees so the activities of one employee act as an independent check on those of another. The Auditor’s Office indicated one individual has control over the accounting area of fixed assets. Fixed asset adjustments and deletions are not reviewed or approved by an independent person.

* Recommendation – Although there are a limited number of office employees, the Academy should review its control procedures to obtain the maximum internal control possible. Fixed asset adjustments and deletions should be reviewed and approved by an independent person.



**Timely Deposits *Timely Deposits*** – Chapter 12.10, Code of Iowa, requires that ninety percent of all moneys received by State departments and commissions by deposited with the Treasurer of the State within ten days of collection. A heavy staff workload and multiple responsibilities prevented this from happening.

* Recommendation – The Academy should develop procedures to ensure timely deposits are made in compliance with Chapter 12.10, Code of Iowa.

**Attendance *Council Member Attendance*** – Chapter 69.15, Code of Iowa, states that any person appointed by the Governor to any board under the laws of this State shall be deemed to have submitted a resignation if the person does not attend three or more consecutive regular meetings or if the person attends less than one-half of the regular meetings within any period of twelve calendar months. The Auditor’s Office identified one person who did not comply with the attendance requirements.

* Recommendation – The Academy should take necessary steps to comply with Chapter 69.15, Code of Iowa.

**Voting *Council Members Vote*** – Chapter 21.3, Code of Iowa, states that the minutes should include sufficient information to indicate the vote of each member present. Certain votes that were not unanimous did not state the individual vote of each member.

* Recommendation – Minutes from meetings should contain sufficient information to indicate the vote of each member present as required by Chapter 21.3, Code of Iowa.



**Travel Claims *Travel Expense Claims*** – The Iowa Department of Revenue and Finance Procedure 204.150(3) requires that travel payments must contain the original signature of the employee. Procedure 204.140(3f) states that personal phone calls incurred at the discretion of the employee for their convenience are not allowable reimbursements unless extenuating circumstances exist which are properly explained on the travel payment request. Travel payments should include original documents for registrations, lodging, cab fare, and airline receipts. Several times during the fiscal year ended June 30, 2000, the Academy did not comply with Iowa Department of Revenue and Finance procedures. In some instances, the Academy employees have not reimbursed the Academy for expenses that were not properly supported or explained. The Department of Revenue and Finance found three instances in FY 2000 where staff members were over-reimbursed or reimbursed for expenses that were not allowed. Reimbursement has been received from all three staff members and has been deposited with the Treasurer.

* Recommendation – The Academy should establish procedures to ensure that the documentation of travel expense claims complies with Iowa Department of Revenue and Finance Procedures. The Academy should also seek reimbursement from employees for expenses that cannot be properly supported or explained.

**More Information** For more information on these comments, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Audit Report - Department of Public Safety

**Audit Report** The Legislative Fiscal Bureau has received the annual audit report for the Department of Public Safety. The FY 2000 Audit Report was received by the Fiscal Bureau on June 12, 2001. The Auditor reported the following conditions:

**Indirect Costs *Indirect Cost Rate Proposal*** – The Department of Public Safety uses a simplified method for calculating indirect cost rates. Under this method, both direct and indirect costs exclude capital expenditures.

* Recommendation – The Department should ensure that capital expenditures are excluded from the indirect cost rate calculation. The documentation should be maintained to support costs allocated between direct and indirect on the indirect cost rate proposal.



**Fixed Assets *Fixed Assets*** – Chapter 7A.30, Code of Iowa, requires that each department and division of State government maintain an accurate, up-to-date inventory of all real and personal property belonging to the State and under their charge, control and management. Staff changes in FY 2000 resulted in a lapse of effort. The following were the Auditor’s findings:

* The capital outlay expenditures recorded in Iowa’s Financial Accounting System (IFAS) were not reconciled to the additions posted to the fixed asset records during the year ended June 30, 2000.
* Several radios were capitalized at the purchase order price rather than the actual (invoice) price. The actual price was less than the purchase order price because discounts were taken.
* The Department’s policy is to capitalize fixed assets greater than $500. Several items less than $500 were identified on the Department’s fixed asset inventory listing.
* The Division receiving/capitalizing the asset is not always clear because one Division may purchase assets for more than one Division.
* Ten of twenty deletions selected for testing were not properly authorized or supported.
* Recommendation – The Department should perform timely reconciliations between capital outlay expenditures and additions reported on the equipment records. The Department should review its fixed asset procedures to ensure that accurate and current records are maintained and all deletions are properly authorized and supported.

**Internal Controls *Internal Controls over Receipts*** – The Department performs reconciliation each month of the receipts submitted by each division to the amounts recorded on IFAS. The Department of Revenue and Finance sends a memo to the appropriate division personnel to verify that the amount recorded on IFAS agrees with the Department’s receipt records. The division signs the memo and returns it to the Department of Revenue and Finance. Five of fifty-eight deposits did not have signed memos from various divisions.

* Recommendation – The Department should ensure that memos are signed and returned by division personnel to the Department of Revenue and Finance.



**Contracts *Personnel Services Contracts*** - The Iowa Department of Revenue and Finance (IDRF) Policy 240.102 provides general guidelines to be used by departments when entering into personnel services contracts. Of the eleven personnel services contracts identified by the Auditor, three contracts were signed after the start date on the contract, two contracts did not have specific dates of performance identified, and one contract was signed after the date of performance and no formal contract was prepared.

* Recommendation – The Department should complete the forms required by IDRF prior to signing a personnel services contract. Personnel services contracts should include everything under Iowa Department of Revenue and Finance Policy 240.102.

**Code Compliance *Code Compliance*** – Chapter 8D.10, Code of Iowa, requires any agency which is part of the Iowa Communications Network to annually provide a written report to the General Assembly certifying the identified savings associated with the use of the network. The Report is due January 15 of each year. The Department felt this section of the Code was ambiguous as to the extent of the report on savings as a result of being a part of the ICN.

* Recommendation – The Department should comply with Chapter 8D.10, Code of Iowa, and submit the report or seek to have the Legislature repeal the requirement.

**More Information** For more information on these comments, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

State Auditor’s Report - Department of Corrections’ Institutions



**Audit Report** The Legislative Fiscal Bureau (LFB) has received the FY 2000 combined audit report for the nine Institutions under the control of the Department of Corrections (DOC). The average annual cost per inmate ranged from $18,800 at the North Central Correctional Facility in Rockwell City to $33,000 at the Iowa State Penitentiary in Fort Madison. According to the State Auditor’s Office, General Fund expenditures have increased 66.7% from FY 1996 to FY 2000, while the average number of inmates has increased 23.6% and the average daily cost per inmate increased 34.9% over the same period.

**Findings** All nine institutions had no findings related to the State’s Single Audit Report. The Mount Pleasant, Newton, and Fort Dodge Correctional Facilities had no matters to report regarding internal control and statutory requirements. Several institutions had findings related to internal control procedures or compliance with statutory requirements.

**Ft. Madison** The Iowa State Penitentiary at Fort Madison had one finding related to internal control: accrued vacation, sick leave, and holiday hours were reported incorrectly. Penitentiary staff responded the system for recording balances has been revised.

**Anamosa** The Anamosa State Penitentiary had two findings related to internal control: depreciation and restitution overpayment. Regarding depreciation, the recycling operations are classified as an Internal Service Fund, but depreciation was not recorded. Penitentiary staff responded that the depreciation was calculated, but was not submitted within the time frames for inclusion in the Generally Accepted Accounting Principles (GAAP) Report. The situation has been corrected. As to restitution, it is withheld from inmate accounts and sent to the Clerks of Court. The Penitentiary had determined in October 2000 that it had overpaid restitution by $18,000. By March 2001, $5,000 of the overpayment was returned and deposited in the appropriate bank accounts. Penitentiary staff responded they continue to work with the Clerks of Court to have the overpayments refunded. They are reviewing procedures to avoid future overpayments.

**Oakdale** The Iowa Medical and Classification Center at Oakdale had two findings related to statutory requirements: timely deposits and fixed assets. In regards to timely deposits, receipts are to be deposited within 10 days as required by Chapter 12.10, Code of Iowa. Certain receipts were not deposited within 10 days. Institution staff responded that they would try to ensure receipts are deposited in compliance with the law. As to fixed assets, Chapter 7A.30, Code of Iowa, requires all State agencies to maintain a detailed fixed asset listing. The Institution’s fixed asset listing contained errors in relation to dollar values, asset transfers, and deletions. Staff responded that corrections will be made, and asset transfers should include a fiscal note.

**Clarinda** The Clarinda Correctional Facility had one finding related to internal control. Certain timecards lacked documentation of approval by the employee and supervisor. Staff responded that a policy has been implemented so that payroll will not be started until both the employee and supervisor have approved the timecard. All supervisors have been notified of the policy.



**Rockwell City** The North Central Correctional Facility at Rockwell City had one finding related to internal control, and three findings related to statutory requirements. Regarding internal control, three personnel service contracts were entered into during FY 2000 with no Request For Proposals process or other authorized competitive bidding procedure. Contracts in excess of $25,000 are to be competitively bid unless there is an emergency or sole source conditions exist. Staff responded that all personnel services contracts would be competitively bid in the future.

**Statutory Requirements** Findings related to statutory requirements include fixed assets, canteen revenue, and agency funds. For fixed assets, one item purchased for $74,000 during FY 2000 was not included in fixed asset additions. Staff responded that the item was included on the fixed asset listing, but was not reported within the time frames required for inclusion in the GAAP Report. The item will be included in the FY 2001 GAAP Report. As to canteen revenue, supporting documentation was not retained for receipts. Staff responded that supporting documentation was inadvertently destroyed during a move and reorganization of the canteen. Supporting documentation will be available in the future. Regarding agency funds, supporting documentation was not maintained for all amounts reported on the GAAP Report. Staff responded that a new computer banking system was implemented August 1, 1999, which includes documentation. Variances between the GAAP report amounts and supporting documentation are related to the changeover to the new computer system, and should not be a problem in future years.



**Mitchellville** The Iowa Correctional Institution for Women in Mitchellville had two findings related to statutory requirements: fixed assets and personnel services contracts. Regarding fixed assets, errors include: a lack of supporting documentation, a lack of State tags, assets recorded at an incorrect amount, and incorrect addition and deletion balances. Staff responded that employees are being trained to ensure the accuracy of the fixed asset list. As to personnel services contracts, four of 10 contracts did not contain certain standards as required by the Department of Revenue and Finance. Staff responded that the contract period will be included in the contracts in the future, as well as included in the contract cover form.

**Copies Available** Copies of the audit are available upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

State Auditor Report - Department of Corrections

**Audit Report** The Legislative Fiscal Bureau has received the State Auditor’s report for FY 2000 for Central Office of the Department of Corrections (DOC). The DOC had no findings related to the State’s single audit report. The DOC had findings related to internal control procedures and statutory matters.

**Internal Control** Regarding internal control procedures, the State Auditor’s Office had two findings:



* ***Segregation of duties***: Duties should be segregated among employees so the activities of one employee act as a check on those of another. Two employees have the ability to create and approve documents related to payroll. The DOC responded that Central Office is reorganizing due to budget constraints. Decreases in staff may make segregation of duties “difficult to accomplish”.
* ***Fixed assets***: Chapter 7A.30, Code of Iowa, requires each department and division of State government to maintain an accurate list of inventory. The State Auditor’s Office found errors related to location, proper authorization of deletions, and dollar values. The DOC responded that changes are being implemented to resolve this issue.

**Statutory Requirements** Regarding statutory requirements, the State Auditor’s Office had two findings:

* ***Professional services contracts***: State contracts for professional services are required to include certain standards, under rules of the Iowa Department of Revenue and Finance. Three of four contracts tested did not contain the necessary information. The DOC responded that changes are being made to correct this issue.



* ***Employee evaluations***: Seven of 26 employee files did not contain the required annual review in accordance with rules of the Iowa Department of Personnel. The DOC responded that it is now performing annual employee evaluations.

**Copies Available** Copies of the report are available upon request.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

State Auditor Report - Community-Based Corrections



**Audit Report** The Legislative Fiscal Bureau has received the FY 2000 combined audit report for the eight Community-Based Corrections (CBC) District Departments. Each of the District Departments is under the direction of its own Board of Directors, and is administered by a Director employed by the Board. Each District Department is responsible for establishing a CBC program within the judicial district.

**Revenues/Expenditures** FY 2000 total revenues ranged from $3.6 million in the Fourth CBC District Department to $15.0 million in the Fifth CBC District Department. Total expenditures ranged from $3.7 million in the Fourth CBC District Department to $15.5 million in the Fifth CBC District Department. Expenditures exceeded revenues due to local carryover receipts from FY 1999 being expended in FY 2000.

**Findings** The First, Second, Third, Fourth, Seventh, and Eighth CBC District Departments had no findings related to the State’s single audit report, internal control, or compliance with statutory requirements. The Fifth and Sixth CBC District Departments received several recommendations from the State Auditor’s Office.

**Cash Receipts** The Fifth CBC District Department had one finding related to internal control procedures. The State Auditor’s Office recommended that procedures for the cash receipts process should be reviewed in order to ensure that those staff writing receipts for funds received from clients do not also reconcile cash and checks received. District Department staff responded that the process would be reviewed and appropriate changes would be made.

**Statutory Requirements** The Fifth CBC District Department had two findings related to statutory requirements:



* ***Generally Accepted Accounting Principles (GAAP) Package:*** The District Department is required to submit the GAAP package to the Department of Revenue and Finance by September 1. The District Department submitted the GAAP package October 28, and it contained numerous errors and misstatements. District Department staff responded that action has been taken to eliminate the delay in submitting the package. District Department staff stated that they were beginning to develop a written set of instructions for the GAAP package so new staff in the future will know what information is required to be included.
* ***Fixed assets****:* The District Department’s fixed asset list included errors related to a lack of State tags, a deletion without an authorization slip, deletions which were not removed from the database, and total values of fixed assets. District Department staff responded that necessary action would be taken to minimize non-compliance.

**Electronic Data Processing** The Sixth CBC District Department had one finding related to internal control: electronic data processing systems. The District Department does not have written policies for:

* Clear identification of in-house software.
* Logging off unattended terminals.
* Uniform systems development for all new programs.
* Uniform systems change for existing software programs.

**Department Response** The District Department responded that written policies to address this internal control weakness are being approved by the District Department Board.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

audit Report - Department of Justice

**Audit Report** The Legislative Fiscal Bureau has received the State Auditor’s Report for the Department of Justice. The Report includes financial statements, supplemental information, and a schedule of findings. No matters were reported for the State’s single audit report.

**Internal Control** Regarding internal control, the Department of Justice had two Findings within the Office of the Consumer Advocate:



* ***Segregation of duties:*** Segregation of duties helps to prevent losses from employee error or dishonesty and improves the accuracy of a department’s financial statements. The Office of the Consumer Advocate has one employee responsible for fixed assets, who also performs the physical inventory. The Office has one employee who has the ability to approve timesheets and personnel actions, as well as reconcile payroll plus receive and distribute paychecks. The State Auditor’s staff recommended that operating procedures should be reviewed to obtain the maximum internal controls possible within a limited budget. Department staff responded that the Office of the Consumer Advocate would assign an individual on an as-needed basis to perform the physical count of fixed assets. The Office of the Consumer Advocate will work with the Department of Commerce regarding the payroll process.
* ***Computer controls:*** The Office of the Consumer Advocate does not have specific logins or passwords to access utility billings and fixed asset information. The Department should implement security features. The Department responded that the Office of the Consumer Advocate would work with the Department of Commerce regarding security of computers.

**Statutory Requirements** The Department of Justice had two findings related to statutory requirements:

* ***Iowa Consumer Credit Code:*** Chapter 537.6104, Code of Iowa, requires an annual report to the General Assembly on the operation of the Consumer Credit Protection Bureau and on any problems of people with small means obtaining credit. This report has not been made since the 1970’s. Department staff responded that the Office of the Attorney General would file the report annually beginning January 1, 2002. It is the intent of the Office of the Attorney General to amend the Code of Iowa to repeal this required report.



* ***Report to the Governor:*** Chapter 13.2(7), Code of Iowa, requires the Office of the Attorney General to submit a report to the Governor concerning the condition of the Office, opinions rendered, and business transacted. The Report covers a biennium and was due March 1, 2001. However, the Report had not been issued as of May 31, 2001. The Department responded that it has two difficulties in timely filing the report:

Compiling the report requires a tremendous amount of staff time. Attorney General opinions are the bulk of the report. If the timely filing of the Report were made a higher priority, then other more important duties would be shortchanged.

Printing the Report through the State’s printing process is slow and cumbersome.

**Response** The Office of the Attorney General is committed to making Attorney General opinions accessible to the public. The opinions are available electronically through Westlaw and Lexis/Nexis. The Office is updating its website so that opinions will be available at no cost in the future.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Audit Report - Department for the Blind

**Audit Report** The Legislative Fiscal Bureau (LFB) received the annual audit report for the Department for the Blind issued by the Office of the Auditor of State for FY 2000.

**Findings** The Report included a single audit report comment, one finding related to internal control, and one finding related to statutory requirements and other matters.

**Equipment Management** Single audit report comments include:



* **Equipment Management** - OMB Circular A-133 Compliance Supplement requires states to use, manage, and dispose of equipment acquired under a federal grant in accordance with state laws and procedures. The Code of Iowa requires each Department of the State to keep written, detailed, up-to-date inventory of all real and personal property belonging to the State. The Department utilizes computer software to maintain a listing of assets that include assets purchased with federal funds. The following findings were noted:

Three of 25 items tested from the total population of fixed assets could not be located or confirmed.

Two of 25 items tested from additions could not be located or confirmed.

Four of 10 items tested for deletions were not properly approved for deletion.

The Department made an adjustment to reduce the fixed asset balance by $377,990, and of this amount, $121,405 could not be supported.

Recommendation **-** The Department should take steps to ensure that an up-to-date and accurate inventory of all real and personal property belonging to the State is maintained.

Conclusion **-** The Department will perform a complete physical inventory by April 30, 2001, and reconcile the results of the physical inventory and the above noted items by May 31, 2001.

**Internal Control** Findings Related to Internal Control - Information maintained on a stand-alone personal computer was not backed up to prevent accidental loss of financial data.

* Recommendation - The Department should ensure all financial data on stand-alone personal computers is backed up on a daily basis.
* Conclusion **-** The Department concurred with the finding of the Auditor.

**Statutory Requirements** Findings Related to Statutory Requirements and Other Matters **-** The Department collects deposits from food service vendors representing 25% of the value of the vendors inventory, which are to be used for future settlements that occur when vendors begin and discontinue business with the Department. These deposits were credited to an expendable trust fund instead of an agency fund.



* Recommendation-The Department should set up a separate agency fund to account for these vendor deposits.
* Conclusion - The Department is exploring the discontinuance of escrow accounts. In the event the accounts continue to be administered, the Department will request the establishment of an agency fund.

**Copies Available** Copies of the audit report are available upon request from the LFB.

STAFF CONTACT: Lisa Burk (Ext. 16765)

Audit Report - Department of Human Rights

**Audit Report** The Legislative Fiscal Bureau (LFB) received the annual audit report for the Department of Human Rights issued by the Office of the Auditor of State for FY 2000. The report included four audit report comments and three findings related to statutory requirements and other matters.



**Sub-recipient Monitoring** ***Sub-recipient Monitoring*** - The approved State plan requires the Department to monitor sub-grantee Community Action Agencies (CAAs) on a regular basis to ensure program and fiscal compliance. On-site visits are to be conducted throughout the program year. After review of the Department’s monitoring files, the Auditor noted that sufficient documentation of the dates of program visits or the results of those visits were not maintained during the year.

* Recommendation - The Department should take steps to ensure on-site visits are made on a regular basis in accordance with the State Plan. In addition, the Department should ensure sufficient documentation is maintained in the program monitoring files.
* Conclusion **-** The Division of Community Action Agencies within the Department of Human Rights named a new Energy Assistance Bureau Chief in January 2000. Upon that appointment, the Bureau immediately initiated a review of program and fiscal compliance for each sub-grantee agency. This initial desk review was conducted for each agency between January 1, and June 30, 2000, and was documented in agency files.

In addition, the Division developed a new, more comprehensive on-site monitoring instrument during this time. The use of this new instrument was instituted July 1, 2000, and is now being used during on-site visits for the current fiscal year. A continued focus on appropriate on-site monitoring in accordance with the Bureau’s State Plan will result in regular on-site visits and required documentation for each CAA in FY 2001.

**Cash Management *Sub-recipient Cash Managemen***t - The Common Rule requires grantees to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantee whenever advance payment procedures are used. Grantees are to monitor the cash draw downs by their sub-grantees to assure they conform to the same standards.

 The Department’s procedures require sub-recipient CAAs to submit monthly cash reports based on their actual and estimated expenditures. The Department monitors advances and payment requests to the 18 CAAs.

 The Auditor reviewed a total of 72 monthly cash reports for this requirement. For 12 of the cash reports reviewed, 10 for the Low-Income Home Energy Assistance Program (LIHEAP) and two for the Home Energy Assistance Program (HEAP), the month end cash balances and requests for funds were not expended within the next month.

* Recommendation - The Department should continue to closely monitor their cash management procedures to ensure compliance with federal guidelines.
* Conclusion- The LIHEAP staff has revised its cash advance procedures to require additional documentation that itemizes the obligations in certain budget categories that will be paid with the advanced funds. Since January 2000, sub-recipient agencies have been required to submit monthly cash reports based on actual and estimated expenditures, and the Division monitors all advances and payment requests. The LIHEAP has implemented a policy that requires agencies to return excess funds when identified.

Additional internal procedures were developed by the Department of Human Rights, effective November 1, 2000, to monitor sub-recipient cash management for LIHEAP and HEAP. A percentage calculation is incorporated into monthly request spreadsheets to reflect funds expended compared to funds received for the same time period. When monthly review determines excess funds on-hand, the Department staff notify the CAA to request corrective cash management measures.

The Department will continue to closely monitor cash management procedures to ensure compliance with federal guidelines.



**Audit Report Review *Sub-recipient Audit Report Review*** - The Department is required under OMB Circular A-133, as it applies to sub-recipients, to develop and maintain a sub-recipient monitoring system. The Department is responsible for reviewing sub-recipient audit reports in a timely manner to ensure that appropriate corrective action is taken within six months after receipt of an audit report showing non-compliance with federal laws and regulations. The Department’s procedures require that each sub-recipient CAA submit an audit report to the Department for review to determine whether the CAA complied with federal and program requirements.

 The Department had 19 sub-recipients that received federal funding from the program noted above. The Department did not review seven of the reports in a timely manner to ensure that corrective action, if any, was taken within six months as required.

* Recommendation **-** The Department should take steps to ensure timely reviews of sub-recipient audit reports and that corrective action is taken.
* Conclusion **-** Due to staff turnover within the Department, not all audit reviews were completed within six months as required. These two fiscal staff positions were filled during FY 2000, however, and all audits have now been reviewed.

**Cash Management/Payroll *Cash Management over Payroll*** - The Auditor’s review of payroll drawdowns by program identified that eight out of 25 payrolls were drawn early for the LIHEAP. This is not in compliance with the terms of the CMIA Agreement.

* Recommendation - The Department should develop procedures to ensure that federal funds for payroll are drawn consistently throughout the year and in compliance with the terms of the CMIA Agreement.
* Conclusion- In all eight instances cited, the funds were drawn down only one day early. The Department will continue to closely monitor its procedures for requesting payroll funds.

**Statutory Requirements** Findings Related to Statutory Requirements and Other Matters include the following.

**Meetings *Commission and Council Meetings*** - The Department of Human Rights includes eight councils and commissions as established under Chapter 216A, Code of Iowa.

 Chapter 69.15, Code of Iowa, states that an appointed person to a commission is deemed to have submitted a resignation from office if they do not attend three or more consecutive meetings.

 The Commission of Community Action Agencies, the Commission on Persons with Disabilities, the Juvenile Justice Advisory Council, the Commission on the Status of Women, and the Commission of Latino Affairs had members who did not comply with the attendance requirements of Chapter 69.15, Code of Iowa. In addition, the minutes for the Commission of Latino Affairs did not indicate the vote of each Commission member present as required by Chapter 21.3, Code of Iowa.

* Recommendation - The Department should continue its efforts to encourage member attendance. In addition, commissions should comply with Chapter 21 and Chapter 216A, Code of Iowa.
* Conclusion - The Department does encourage member attendance by using teleconferencing, ICN sites, scheduling meetings on weekends and evenings, and utilizing various locations around the State for Commission meetings.



**Contracts Professional Service Contracts** - The Iowa Department of Revenue and Finance Procedure 240.102 (Executive Order Number 60) requires that contracts for professional services include certain standards. Three of seven contracts tested did not contain the necessary information.

* Recommendation- The Department should take the necessary steps to ensure compliance with the Iowa Department of Revenue and Finance Procedure 240.102.
* Conclusion- The Commissions will be notified that all professional services contracts need to contain language permitting contract termination due to the non-availability of funds.

**Code Compliance Code Compliance** - Chapter 216A.149, Code of Iowa, requires the Commission on the Status of African-Americans to file a report with the Governor and the General Assembly no later than August 1, regarding activities in the prior fiscal year. This report was not filed in a timely manner.

* Recommendation - The Commission should take the appropriate steps to ensure that required reports are filed on a timely basis in the future.
* Conclusion- The Commission on the Status of African-Americans will take the appropriate steps to ensure the timely submittal of their annual reports.

**Copies Available** Copies of the audit report are available upon request from the LFB.

STAFF CONTACT: Lisa Burk (Ext. 16765)

Audit Report - Governor’s Office of Drug Control Policy



**Audit Report** The Legislative Fiscal Bureau (LFB) received the annual audit report for the Governor’s Office of Drug Control Policy for FY 2000. The report included one finding related to internal control and one finding related to statutory requirements and other matters.

**Internal Control** Findings Related to Internal Control - Chapter 7A.30, Code of Iowa, requires Departments of the State to keep written, detailed, up-to-date inventory of all real and personal property belonging to the State. The Governor’s Office of Drug Control Policy utilizes several computer spreadsheets to maintain a record of its assets. The fixed asset balances reported in the Generally Accepted Accounting Principles (GAAP) Package did not agree with the supporting computer spreadsheets.

* Recommendation - The Office should develop policies and procedures to ensure that an up-to-date and accurate inventory listing of all real and personal property belonging to the State is maintained.
* Conclusion - The Office has policies and procedures in place and copies were provided to the Auditor. Adjustments will be made to the FY 2001 GAAP Package to reflect the accurate inventory figures.

**Statutory Requirements** Findings Related to Statutory Requirements and Other Matters - Chapter 80E.1(2)b, Code of Iowa, requires the Governor’s Office of Drug Control Policy to submit an annual report to the Governor and the General Assembly by November 1, following fiscal year end. The Report was not submitted until December 2000.



* Recommendation - The Office should comply with the Code of Iowa and submit its annual report on a timely basis.
* Conclusion - The Office will submit its annual report in a timely manner to comply with the Code of Iowa. The 2000 report was delayed to provide the Governor and the 79th General Assembly with the most current substance abuse trend data available.

 **Copies Available** Copies of the audit report are available upon request from the LFB.

STAFF CONTACT: Lisa Burk (Ext. 16765)

Audit Report - Department of Elder Affairs

**Audit Report** The Legislative Fiscal Bureau (LFB) received the annual audit report for he Department of Elder Affairs for FY 2000. The Report included one Finding related to internal control.

**Internal Control** Findings Related to Internal Control **-** The Department is required under OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, as it applies to subrecipients, to develop and maintain a subrecipient monitoring system. The Department is responsible for reviewing subrecipient audit reports in a timely manner to ensure that appropriate corrective action is taken within six months after receipt of an audit report showing non-compliance with federal laws and regulations. The Department’s procedures require that each subrecipient area agency on aging submit an audit report to the Department for review to determine whether the area agency on aging complied with federal program requirements.

 The Department did not review the reports submitted by the 13 area agencies on aging in a timely manner to ensure that corrective action was taken within six months.

Recommendation - The Department should take steps to review subrecipient audit reports in a timely manner and ensure that corrective action is taken within six months.

Conclusion - The Department will strengthen the process whereby subrecipient audit reports are logged in and the review process monitored to ensure timely reviews of those subrecipient audit reports.

**Copies Available** Copies of the audit report are available upon request from the LFB.

STAFF CONTACT: Lisa Burk (Ext. 16765)

AUDIT REPORT - CIVIL RIGHTS COMMISSION



**Audit Report** The annual audit report for the Civil Rights Commission for FY 2000 was received by the LFB. The Auditor made one finding related to internal control.

**Internal Control Segregation of Duties (Internal Control)** – The majority of the duties relating to the expenditure and fixed asset cycles are often performed by one person. In addition, ten of thirty-nine expenditure claims were not authorized by the Executive Director.

* Recommendation – The Commission should review procedures to improve the segregation of duties and supervisory control procedures including procedures to ensure that the expenditure claims are properly authorized by the appropriate level of management.
* Response – We changed our approval process after last year’s audit was completed. The ten claims not authorized by the Executive Director were processed before the change was made. The procedures related to fixed assets have also been changed so that all transfers of fixed assets are now approved by the Executive Director.
* Conclusion – Response accepted.

**Other Findings** The audit report also contained one finding related to statutory requirements and other matters.

STAFF CONTACT: Russ Trimble (Ext. 14613) Lisa Burk (Ext. 16765)

AUDIT REPORT - COMMISSION OF VETERANS AFFAIRS (IOWA VETERANS HOME)

**Audit Report** The annual audit report for the Iowa Veterans Home for FY 2000 was received by the LFB. The Auditor reported no Findings, however included the following fiscal information:



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Average Number of Residents** |  | **\*Average Number of Employees** |  | **Annualized Cost Per Resident** |  | **Average Daily Cost Per Resident** |
| FY 2000 |  | 707 |  | 932 |  | $ 64,976 |  | $ 178.02 |
| FY 1999 |  | 714 |  | 844 |  |  61,933 |  |  169.84 |
| FY 1998 |  | 711 |  | 833 |  |  58,803 |  |  161.10 |
| FY 1997 |  | 710 |  | 834 |  |  56,714 |  |  155.38 |
| FY 1996 |  | 701 |  | 802 |  |  55,083 |  |  150.91 |

\*Prior to October 1, 1999, the Dietary Department was staffed by a private company. Effective October 1, 1999, the Iowa Veteran’s Home hired employees and staffed the Dietary Department.

 **FY 2000 Resident Population Statistics**

 (**Unaudited)**

|  |  |  |
| --- | --- | --- |
| Population beginning of year |  | 711 |
| Admissions: |  |  |
|  First admissions |  | 155 |
|  Readmissions |  | 12 |
|  Returns: |  |  |
|  Home visits/furlough |  | 566 |
| Total admissions |  | 733 |
|  |  |  |
| Released: |  |  |
|  Discharges |  | 40 |
|  Deaths |  | 127 |
|  Home Visits/furlough |  | 566 |
| Total Released |  | 733 |
|  |  |  |
| Population end of year |  | 711 |
| Daily Avg. resident population |  | 707 |

STAFF CONTACT: Russ Trimble (Ext. 14613) Lisa Burk (Ext. 16765)

AUDIT REPORT - DEPARTMENT OF PUBLIC HEALTH



**Audit Report** The annual audit report for the Department of Public Health (DPH) for FY 2000 was received by the LFB. The auditor of the State made five findings. Three of the five findings related to segregation of duties, cash receipts, and fixed assets were noted in the FY 1999 and FY 1998 auditor report as well.

**Cash Management *Cash Management***

* There were several instances where there were excessive positive and negative cash balances during certain periods of fiscal year 2000.
* Recommendation– The Department should develop procedures to ensure that specific federal program needs are determined prior to each draw down. In addition, the Department should continually monitor the available cash on hand so that expenditures do not exceed grant funds received for excessive lengths of time.
* Response – Effective February 13, 2001, the Department will enhance its monitoring of the available cash on hand to ensure that federal funds are requested and received in a timely manner.
* Conclusion – Response accepted.

**Segregation of Duties *Segregation of Duties***

* An employee of the Department can initiate and approve payroll transactions on the Human Resource Information System (HRIS).
* Recommendation– Adequate segregation of duties should be established so that the same person does not initiate a transaction and also approve the transaction.
* Response– Effective April 16, 2001, the same employee will not initiate and approve payroll transactions on the HRIS system except in the event of an emergency. In these situations, the employee applying both levels of approval will note the reason why this action was necessary on the remarks page of the HRIS system.
* Conclusion– Response accepted.

**Cash Receipts *Cash Receipts***

* An initial list of cash receipts is not prepared at the time mail is opened in various divisions of the Department. Instead, employees open the mail and route the receipts to the cashier.
* Recommendation– The Department should review procedures to improve internal control over cash receipts. At a minimum, an initial list of cash receipts should be prepared by the mail opener, and an independent reconciliation be made of the initial listing to the final deposit with the cashier.
* Response– The Department will review the feasibility of developing an accounting software application to be utilized in the recording of receipts.
* Conclusion– Response accepted.

**Electronic Data Processing *Electronic Data Processing Systems***

* The Department does not have adequate written policies for clear identification or ownership of in-house-developed software.
* Recommendation – The Department should develop written policies addressing the above item in order to improve the Department’s control over computer-based systems.
* Response– The Department has not implemented a written policy to clearly define ownership of internally developed software, but has developed statements for individual applications. The Department will develop a policy to clearly identify ownership of in-house-developed software.
* Conclusion – Response accepted.

**Fixed Assets *Fixed Asset Additions***



* Chapter 7A.30, Code of Iowa, requires each department and division of State government to maintain up-to-date inventory of all real and personal property belonging to the State and under their care, control, and management. The Department’s equipment capitalization policy is to capitalize all equipment with costs over $2,000. Equipment acquired with costs over $2,000 are to be included as an asset on the Department’s equipment listing in the same fiscal year for which the liability has been incurred. Equipment with a total cost of $366,090 was not capitalized.
* Recommendation– The Department should follow procedures to ensure that all equipment with a cost of more than $2,000 is capitalized in the year the expenditure has been incurred.
* Response– The Department has procedures to ensure that all equipment with a cost of more than $2,000 is capitalized in the year the expenditure has been incurred. In addition, the Department monitors and updates these procedures as needed.

$240,111 of the equipment in question is classified on the WIC sub-recipient inventory system. Due to staffing and personnel issues that occurred in FY 2000, this dollar amount was not available to report at the end of the fiscal year. The items in question have been tagged and staff in the WIC bureau is in the process of assigning dollar values to the items.

 $119,772 involved a disputed computer requisition, some of which had to be returned and replaced. The requisition was not finalized until after the submission of the GAAP package (September 1, 2000), but the equipment was added to our inventory when these issues were resolved (September 11, 2000).

$6,207 was for the purchase of memory updates included in a computer server. The server is a tagged item, but additional memory chips purchased subsequently could not be tagged. The cost of the memory update will be added to the tagged value of the server, with a note for reconciliation purposes.

* Conclusion– Response accepted.

**Statutory Requirements** The audit report also contained the following findings related to statutory requirements and other matters.

 **Board of Physician Assistant Examiners**

* A discussion with agency personnel of the Board of Medical Examiners indicated that there have not been two members of the Board of Medical Examiners assigned to sit on the Physicians Assistant Rules Review Group as required.



* Recommendation– The Board of Medical Examiners should assign two members to be on the Physicians Assistant Rules Review Group as required.
* Response – Committee members were not assigned for a number of years because no business was conducted. The Board of Medical Examiners assigned two members immediately after the issue was drawn to attention.
* Conclusion– Response accepted.

 **Timely Deposits**

* Chapter 12.10, Code of Iowa, requires that ninety percent of all fees and moneys received by State departments and boards be deposited with the Treasurer of State within ten days succeeding collection. Eleven of the twenty-five deposits tested at the Board of Nursing were not deposited timely.
* Recommendation– The Board of Nursing should develop procedures to ensure that deposits are made timely in compliance with the Code of Iowa.
* Response – Effective immediately, payments received in the Board Office are to be logged into a tracking system and are to be processed within nine days. All renewals will be processed online following completion of software development. Approximately July 2001, all applications for licensure and licensure renewal will be deposited and processed within three days.
* Conclusion – Response accepted.

STAFF CONTACT: Russ Trimble (Ext. 14613) Lisa Burk (Ext. 16765)

Audit Report - Department of Education



**Audit Report** The Legislative Fiscal Bureau has received the FY 2000 audit report for the Department of Education. The audit included Findings and recommendations in the State’s Single Audit Report related to the handling and documentation of federally-funded programs within the Department. In one instance, the audit found that the files for the Class Size Reduction Program were being maintained at the home of the Program Director. The Auditor of State accepted all of the Department’s responses to the recommendations for improvement in these areas.

**Findings** Findings related to internal control included:

**Contractual Agreements** ***Contractual Agreements*** – The audit found problems in the handling and documentation of contracts within the Department, including:

* Written documentation was not always available to demonstrate that the Department had performed analyses to determine whether it was more cost beneficial to contract rather than perform the task internally.
* Contracts did not always clearly define the specific purpose or benefit(s) to be derived.
* A number of sole-source contracts tested did not appear to qualify under the State’s criteria for sole source selection.

 The Auditor recommends the Department develop procedures to address these problems. Similar problems were found in the FY 1999 audit, and a similar recommendation was made. The Auditor accepted the Department’s current response describing the development of internal procedures for negotiation and execution of contracts.

**Time Allocation** ***Employee Time Allocation*** – The audit found that 15 of 40 employees who allocate hours between funds had done so using pre-established percentages rather than actual time spent on a particular program. The same problem was identified in the FY 1999 audit. The Auditor accepted the Department’s current response detailing efforts to communicate appropriate procedures to staff.

**Segregation of Duties** ***Segregation of Duties*** – The audit found shortcomings in the Department’s segregation of duties related to payroll processing and approval. Identical problems were identified in the FY 1999 audit. The Auditor recommends the Department revise its internal controls to correct the situation. The Department’s response, which the Auditor accepted, states that the routine practice is to segregate duties but the shortcomings noted in the audit are necessary to provide coverage in the event of employee absences. The Department indicates it will continue to explore alternatives.

**Data Processing Security** ***Security for Data Processing Equipment and Software*** – The audit found that the Department lacks a formal policy regarding data processing equipment and software in the event of a disaster or infringement. The same problem was identified in FY 1999, and the Department’s response to the current audit has not changed substantially from the previous year. The Department has outlined steps taken to improve security, and the Auditor accepted the response.

**Special Ed Programs** ***Written Policies and Procedures for Special Education Programs*** – The audit found that the Department does not have written procedures for administering federal funds for the Special Education Programs within the Bureau of Children, Families and Community Service. The Auditor accepted the Department’s response that the Bureau continues to work toward completion of written policies and procedures.

**Statutory Requirements** Findings related to statutory requirements included three issues of compliance with requirements in the Code of Iowa:

* Section 256.23, Code of Iowa, requires the Department to establish a program to allocate grants to school districts for the development of pilot projects enhancing the recruitment and advancement of women and minorities into administrative positions.



* Section 256.41, Code of Iowa, creates the Youth 2000 Coordinating Council within the Department.

 The audit found that the Department has established neither the grant program nor the council. The Auditor acknowledged (but did not accept) the Department’s response that compliance is not possible because the General Assembly has provided no funding to implement the statutes. The auditor recommends the Department take the necessary action to obtain funding or seek to have the statutes repealed. The same problems were identified in the FY 1999 audit, resulting in similar responses from the Department and the Auditor.

* Section 256.62, Code of Iowa, requires the Director of the Department of Education to appoint several non-voting members to the seven Regional Library Boards of Trustees.

**Vacancies** The audit found that several vacancies on the boards had not been filled in a timely manner. Similar problems were identified in the FY 1999 audit. The Auditor accepted the Department’s response that it continues to work with the Division of Library Services and the administrators of the Regional Libraries to improve the vacancy notification process.

**Copy Available** A copy of the audit is available from the Office of the Auditor of State (281-5834) or the Legislative Fiscal Bureau.

STAFF CONTACT: Robin Madison (Ext. 15270)

State Auditor FY 2000 Audit - Department of Human Services

**Audit Report** The State Auditor has recently released a report regarding FY 2000 for the Department of Human Services (DHS). The following single audit report item recommendations were included in the Audit:



* Food Stamp Payments: The DHS should review the Issuance Verification (ISSV) System and implement control procedures to ensure the issuance amount is appropriate for the number of eligible individuals. The DHS indicates changes have taken place to comply with the Audit recommendations.
* Temporary Assistance for Needy Families (TANF) Data Report: The DHS should continue to work with the federal government to identify and resolve problems identified in the TANF Data Report. The DHS indicates changes are being made in the information system to gather data to resolve problems identified and comply with the Audit recommendation.
* Temporary Assistance for Needy Families (TANF) payments: The DHS should review the Issuance Verification (ISSV) System and implement control procedures to ensure the issuance amount is appropriate for the number of eligible individuals. The DHS indicates changes have taken place to comply with the Audit findings.
* Field Office Internal Controls: The DHS should strengthen internal controls and policies to ensure compliance with the Employees’ Manual relating to certain financial transactions. The DHS indicates changes will take place to comply with the Audit recommendation.



* Foster Care/Title IV-E: The DHS should enforce the provisions of the Employees’ Manual regarding Title IV-E Program prescribed timelines for case management and case plan details regarding placement in the least restrictive environment. The DHS indicates changes will take place to comply with the Audit recommendation.
* Foster Care/Adoption Assistance: The DHS should ensure compliance regarding the Employee’s Manual for the length of time for reevaluation of an adoption subsidy agreement and legal documentation contained within the file for adoption subsidy agreements. The DHS indicates changes will take place to comply with the Audit recommendation.
* Healthy and Well Kids in Iowa (HAWK-I) Reconciliation of Billings to Receipts: The DHS should perform a reconciliation comparing the amount billed to members with the amount received and an aging of accounts receivable listing should be prepared to determine overdue balances. The DHS indicates changes will take place to comply with the Audit recommendations.
* Medical Assistance Claims - Date of Death: The DHS should implement procedures to periodically determine whether payments exist for service dates after the recipient’s date of death and adjust accordingly. The DHS indicates changes will take place to comply with the Audit recommendations.
* Health Insurance Premium Payment (HIPP): The DHS should continue to develop and implement control procedures to ensure the Health Insurance Premium Payment Program has adequate controls over all payments. The DHS indicates that some changes have taken place and others will take place to comply with the Audit recommendations.
* Medicaid Waiver Program: The DHS should monitor the waivers to ensure accuracy of payments and case file information. The DHS indicates changes will take place to comply with the Audit recommendations.
* Medical Assistance Upper Payment Limits: The DHS should continue to work with the federal government to obtain certification of the upper payment limit for Medicaid reimbursement to health care facilities. The DHS indicates that changes will take place to comply with the Audit recommendations.

**Recommendations** The following Internal Control Audit item recommendations were included:



* Negative Cash Balances: The DHS should implement procedures to limit excessive negative cash balances for the Temporary Assistance to Needy Families (TANF), Child Care Development Block Grant, Child Care Development Fund, Adoption Assistance, and the State Children’s Insurance Program federal programs. The DHS indicates acceptance of a plan by the Office of the State Auditor to eliminate the negative cash balances throughout the year in the future has occurred.

**Recommendation**

* County Billings: The DHS should appropriately track disputed county billings regarding four mental health services. In light of HF 727, Mental Health/Mental Retardation/Developmental Disabilities Act, the recommendation indicates that the DHS should adjust its receivable balances with the elimination of county obligations for services rendered prior to July 1, 1997. The DHS indicates a new monthly billing system implemented in May 2001 will assist in compliance to the recommendation.
* System Development Life Cycle (data management for purchase of service): The DHS should maintain the written methodology relating to this Cycle and implement procedures to require adherence to the Cycle.
* Three recommendations relating to the Division of Data Management regarding retaining a copy of User ID invoices, quality assurance for accuracy of programming, separation of duties between programmers and testing of the computer programs. The DHS indicates changes will take place to comply with the Audit recommendation.

**Statutory Matters** The following Findings relating to Statutory Matters were included in the Audit:

* Review of overpayments regarding court ordered juvenile treatment services. At issue is a $1.3 million possible overpayment to a facility in Sioux City. The DHS has requested repayment and the Stanford Center has appealed that request.



* Child Care overpayments: A restitution process is underway regarding the Kinderland child care subsidy fraud, which the Auditor recommends continuing to recover the questioned payment. The DHS indicates administrative rule changes are taking place to improve the child care payment issues.
* Fixed Assets: The recommendation indicates a number of inventory issues regarding real and personal property of the DHS. The DHS indicates a review is underway to resolve the inventory issues.
* Civil Rights: The DHS should comply with civil rights requirements in the Employee Manual regarding various committees and meetings. The DHS indicates changes will take place to comply with the Audit recommendation.
* Various Statutory Committees: The DHS should comply with codified requirements regarding the State Child Day Care Advisory Council, Dependent Adult Abuse Services Council, and the Personal Assistance and Family Support Services Council meetings and membership. The DHS indicates that not all of the duties specified are under the control of the DHS and that the DHS will attempt to assist in the compliance with the recommendations.
* Emergency Assistance Program: The DHS should ensure that eligibility information is verified and documented, that agency policies are followed relating to interviews, and that reviews of the applications for accuracy are documented. The DHS indicates changes will take place to comply with Audit recommendations.

**More Information** Additional information is available upon request. Copies of the Audit are available from the Office of the State Auditor or the Legislative Fiscal Bureau.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Sam Leto (Ext. 16764)

State Auditor FY 2000 Audit - Department of Human Services’ institutions

**Audit Report** The State Auditor has recently issued the FY 2000 Audit for the eight institutions under the direction of the Department of Human Services (DHS). The following information by institution was included in the Audit:

* Mental Health Institute at Clarinda: No matters were reported by the State Auditor.



* Mental Health Institute at Mount Pleasant: No matters were reported by the State Auditor.
* Mental Health Institute at Cherokee: No matters were reported by the State Auditor.
* Mental Health Institute at Independence: The Auditor recommended that the rental rates for State-owned dwellings rented to employees should comply with DHS policies, including the cost of providing utilities to the dwelling. The DHS indicates that changes will take place to comply with the recommendation.
* Woodward State Resource Center: The Auditor recommended that a physical inventory of personal property take place every two years as required by Administrative Rule. The DHS indicates that changes will take place to comply with the recommendation.
* Glenwood State Resource Center: The Auditor recommended:

Improvement to the evaluation process so that every employee receives an annual evaluation. The DHS indicates that changes will take place to comply with the recommendation.

Changes to ensure personal service contracts meet the requirements of the Department of Revenue and Finance. The DHS indicates that changes will take place to comply with the recommendation.

* State Juvenile Home at Toledo: No matters were reported by the State Auditor.
* State Training School at Eldora: No matters were reported by the State Auditor.

**More Information** Additional information is available upon request. Copies of the Audit are available from the Office of the State Auditor or the Legislative Fiscal Bureau.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

This document can be found on the LFB web site: <http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>