



OFFICE OF AUDITOR OF STATE
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NEWS RELEASE

FOR RELEASE

July 21, 2010

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Inspections and Appeals for the year ended June 30, 2009.

The Iowa Department of Inspections and Appeals was created for the purpose of coordinating and conducting audits, appeals, hearings, inspections and investigations related to the operations of Iowa state government. The Department also provides administrative support services for the Employment Appeal Board, Hospital Licensing Board, Child Advocacy Board, State Public Defender and the Iowa Racing and Gaming Commission.

A copy of the report is available for review in the Iowa Department of Inspections and Appeals, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1060-4270-OR00.pdf>

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF INSPECTIONS AND APPEALS**

JUNE 30, 2009

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



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July 14, 2010

To Dean Lerner, Director of the
Iowa Department of Inspections and Appeals:

The Iowa Department of Inspections and Appeals 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, 2009.

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, as well as recommendations pertaining to the Department's compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report.

The Iowa Department of Inspections and Appeals' responses to the findings identified in our audits are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Inspections and Appeals' responses and, accordingly, we express no opinion on them.

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 Inspections and Appeals, citizens of the State of Iowa and other parties to whom the Department may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 7 and they are available to discuss these matters with you.


DAVID A. VAUDT, CPA


WARREN G. JENKINS, CPA

cc: Honorable Chester J. Culver, Governor
Richard C. Oshlo, Jr., Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2009

Finding Reported in the State's Single Audit Report:

CFDA Number: 93.777 – State Survey and Certification of Health Care Providers and Suppliers

Agency Number: None

Federal Award Year: 2008, 2009

State of Iowa Single Audit Report Comment: 09-III-HHS-427-20

Reporting – The State Survey and Certification program is designed to provide financial assistance to any state which is able to determine providers and suppliers of health care services are in compliance with Federal regulatory health and safety standards and conditions of participation. Funds made available under this program are used to support or reimburse state staff for performing survey activities and for state administration of the program.

The Department prepares a Health Facilities Time Allocation report each pay period based on timesheets completed by employees. These allocations are subsequently summarized by activity code on a Health Facilities Allocation of Salaries and FTE report which determines the percentage of time spent on various federal programs. These percentages are used to allocate payroll and other monthly expenses from the Integrated Information for Iowa (I/3) system to the programs. Each quarter, the applicable monthly reports are compiled to prepare the quarterly report due to the Federal government.

The following items were noted:

- (a) For two of twenty-six pay periods tested, variances in the number of hours worked existed between the Health Facilities Time Allocation report and the Health Facilities Allocation of Salaries and FTE Report.
- (b) For one of twenty-six pay periods tested, variances in the salaries paid existed between the Health Facilities Time Allocation report and the Health Facilities Allocation of Salaries and FTE Report.
- (c) For two of ten employees tested, the timesheets were not properly completed. As a result, we were unable to trace hours worked to the corresponding Activity Code to which time was charged.
- (d) For three of twelve months tested, variances existed between the monthly summary of expense report and expenses per I/3.
- (e) For the quarter tested, Outcome and Assessment Information Set (OASIS) expenditures were not included on the Budget/Expenditure Report. Therefore, expenses for the quarter were under reported.
- (f) For the month tested, the percentage allocation between various federal programs was incorrect for one of the eighteen expenditure classes tested.

Recommendation – The Department should review its procedures to ensure information used to prepare the quarterly reports are complete and accurate.

Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2009

Response and Corrective Action Planned – The Department put new processes in place in March 2009 related to the prior audit comment. By that time, a large portion of the fiscal year was past so we were unable to correct the previous months. We have reviewed the procedures and are reconciling with the state accounting system. We have reviewed procedures and put new processes in place to ensure OASIS expenditures are included in the quarterly report, and expenditure class categories have the correct percentage allocations between the various federal programs.

Conclusion – Response accepted.

Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

- (1) Food and Consumer Safety – According to Chapter 481—31.1 of the Iowa Administrative Code, the Department is responsible for administering and enforcing the U. S. Food and Drug Administration’s Food Code by conducting food safety inspections at food establishments. All food establishments in Iowa are inspected according to the 2005 Edition of the Food Code. Sub part 8-401 of the 2005 Edition of the Food Code states “the regulatory authority shall inspect a food establishment at least once every 6 months”. The Department is responsible for conducting inspections for twenty of the ninety-nine counties. The Department contracts with thirty Local Health Departments for the remaining seventy-nine counties. The Local Health Departments also conduct food safety inspections according to the 2005 Edition of the Food Code.

For the items tested, the Department and the Local Health Departments performed one inspection of food establishments during the year. In addition, one home food establishment was not inspected during the year.

We also determined the Department did not perform site visits of the Local Health Departments on a periodic basis. The last site visit performed was during December 2005.

Recommendation – The Department should ensure semi-annual inspections are performed by both the Department and the Local Health Departments. Instead of performing semi-annual inspections, the Department may implement a written risk-based inspection schedule as allowed by the 2005 Edition of the Food Code.

The Department should also perform periodic site visits of the Local Health Departments.

Response – The Department has requested an increase in regulatory fees multiple times over the past two decades. Minimal increases have been approved, but these increases were insufficient to cover necessary regulatory costs to ensure the inspection frequency in the Food Code was met. Without sufficient staffing levels, the Department is unable to meet the inspection frequency requirements. The Department has also taken advantage of technology to become more efficient with inspections and required paperwork. The Department will continue to pursue sufficient funding for staffing to meet the requirements and look for more ways to become more efficient in our conduct of inspections, which may result in our ability to increase inspection frequency.

Conclusion – Response accepted.

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June 30, 2009

- (2) Receipt Reconciliation – We were unable to reconcile the Contract Fee Report for July 1, 2008 to June 30, 2009 to the amounts reported on the Integrated Information System for Iowa (I/3). Independent reconciliations are not performed between amounts recorded as being collected on the Food and Consumer Safety Bureau’s database and amounts deposited into I/3. In addition, independent reconciliations are not performed for Targeted Small Business, Social and Charitable Gambling and Amusement Device receipts.

Recommendation – The Department should ensure reconciliations are performed between amounts collected on the Food and Consumer Safety Bureau’s database and amounts deposited on I/3. In addition, reconciliations should be performed between amounts collected for Targeted Small Business, Social and Charitable Gambling and Amusement Devices and amounts deposited on I/3.

Response – The Department has created a spreadsheet for Food and Consumer Safety, Targeted Small Business and Amusement Device receipts. This spreadsheet will be given to the Fiscal Services Bureau upon completion of each month to be reconciled to amounts deposited on I/3.

Conclusion – Response accepted.

- (3) Operating Leases – The Department has leased various buildings for office space and storage. The Department is required to create and submit an annual GAAP Package each year to the Iowa Department of Administrative Services, GAAP Team, to assist in the preparation of the State’s CAFR. The Department is required to report operating lease payments made during the year and document future lease obligations for leases where the future obligation is greater than one year. Errors noted in the Department's operating lease schedule resulted in lease expense being understated by \$33,822 and the future minimum lease payments understated by \$8,339.

Recommendation – The Department should implement procedures to ensure future lease payments and future lease obligations are accurately reported on the GAAP Package.

Response – The Department omitted to report emergency flood rental which was mostly covered by FEMA. The Department is not anticipating another natural disaster, so this should not be an issue in the future. The Department will have a second individual review the lease schedule to avoid future errors.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2009

Staff:

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager
James R. Wittenwyler, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Tiffany M. Ainger, Staff Auditor
Samantha J. Brincks, Assistant Auditor
Daniel W. Henaman, Assistant Auditor
Reza Sepehri, Assistant Auditor