



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

August 25, 2010

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Administrative Services for the year ended June 30, 2009.

The Iowa Department of Administrative Services is mandated by statute to provide services for other state agencies. To fulfill this responsibility, the Department is structured into the General Services Enterprise (GSE), the Information Technology Enterprise (ITE), the Human Resources Enterprise (HRE) and the State Accounting Enterprise (SAE).

Vaudt recommended the Department ensure a detailed, up-to-date capital asset listing is maintained along with establishing written policies and procedures. In addition, the Department should ensure the GAAP Package information reported is complete and accurate. The Department's responses are included in the report.

A copy of the report is available for review in the Iowa Department of Administrative Services, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1060-0050-BR00.pdf>

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF ADMINISTRATIVE SERVICES**

JUNE 30, 2009

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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August 18, 2010

To Ray Walton, Director of the
Iowa Department of Administrative Services:

The Iowa Department of Administrative Services 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 Report on Internal Control as well as other recommendations pertaining to the Department's internal control and 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. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Administrative Services' 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 Administrative Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Administrative Services 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 9 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
Richard C. Oshlo, Jr., Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2009

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Report on Internal Control:

- (1) Financial Reporting – The Department records receipts and disbursements on the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded on the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) on a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year. The following were noted:
- (a) The Department understated the amount of accounts payable by \$1,228,994. This was properly adjusted for reporting purposes.
 - (b) The Department understated the amount of construction commitments by \$103,762. This was properly adjusted for reporting purposes.
 - (c) The Department understated fiscal year 2009 rental expense by \$133,125.
 - (d) The Department understated the risk financing liability by \$39,782.

Recommendation – The Department should ensure the GAAP package information reported is complete and accurate.

Response – Notes have been included in the fiscal year 2009 GAAP package notebooks in each of the areas mentioned above. The preparers will be made aware of these errors. Written procedures are being developed for completing the GAAP package. A second review will be performed before the GAAP package is submitted.

Conclusion – Response accepted.

- (2) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department of the state to maintain a written, detailed and up-to-date inventory of property under its charge and control. The following were noted:
- (a) Accumulated depreciation and depreciation expense for buildings and building improvements were understated by \$61,136. These were properly adjusted for reporting purposes.
 - (b) Accumulated depreciation and depreciation expense for buildings and building improvements were overstated by \$312,523.
 - (c) The Department did not adjust current year additions for the retainage payable included in prior year additions. As a result, current year additions were overstated for construction in progress, land improvements and buildings and building improvements by \$10,623, \$79,719 and \$537,602, respectively. These were properly adjusted for reporting purposes.
 - (d) Accumulated depreciation was understated by \$20,238 due to adjustments made for prior year errors.

Report of Recommendations to the Iowa Department of Administrative Services

June 30, 2009

- (e) The loss on the disposal of assets was overstated for the Internal Service Funds by \$508,719. This was properly adjusted for reporting purposes.

Recommendation – The Department should ensure a detailed, up-to-date capital asset listing is maintained. Capital asset additions should be reconciled to 1/3 asset purchases and properly adjusted for prior year retainage payable. Depreciation expense, accumulated depreciation and gain or loss on disposal of assets should be properly calculated and recorded.

Response – The Department has taken the following steps to address and eliminate the errors noted in the comment above.

- (a) An understatement of accumulated depreciation and depreciation expense for buildings and building improvements occurred during the preparation of the spreadsheet for the fiscal year 2009 audit. A correction has been made to adjust the spreadsheet for fiscal year 2010. Written procedures are being developed for creating the worksheet for depreciation expense for buildings and building improvements. This information will be completed in a timely manner to allow for the time needed to conduct a second review.
- (b) An input error occurred when completing the Capital Asset pages of the GAAP package. Written procedures are being developed for completing the GAAP package. A second review will be performed before the GAAP package is submitted.
- (c) The adjustment for the fiscal year 2008 retainage payable was not accounted for during the preparation of the Infrastructure Asset Value spreadsheet for the fiscal year 2009 audit. The fiscal year 2010 spreadsheet has been adjusted. Written procedures are being developed for the preparation of this worksheet to avoid such errors in the future. This information will be completed in a timely manner to allow for the time needed to conduct a second review.
- (d) The Department has adjusted the Depreciation spreadsheet by \$20,238 so the correct amount will be reported for accumulated depreciation for fiscal year 2010. Written procedures are being developed for the preparation of the Depreciation worksheet to avoid such errors in the future. This information will be compiled in a timely manner to allow for the time needed to conduct a second review.
- (e) A formula error caused an overstatement of \$508,719 in calculating the amount of loss of disposal of an asset. The correct formula has been entered on the Capital Asset pages for fiscal year 2009 and a note has been included in the GAAP package notebooks. Written procedures are being developed for completing the GAAP package. A second review will be performed before the GAAP package is submitted.

Conclusion – Response accepted.

June 30, 2009

Other Findings Related to Internal Control:

- (1) Risk Financing – Vehicle Dispatch – The Department reports a liability for vehicle dispatch risk financing on the GAAP package, which relates to tort claims against the State of Iowa for personal injury and property damage caused by state vehicles. The written procedures for the risk financing claims liability calculation do not agree with the actual calculation performed.

Recommendation – The Department should revise the risk financing claims liability calculation to agree with the written procedures or revise the procedures to agree with the calculation performed.

Response – An adjustment needs to be made to correct the previous fiscal year, which will be done on the GAAP Package for fiscal year 2010.

Conclusion – Response accepted.

- (2) Depreciation Ledger Reconciliation – The Department maintains a separate fund, Depreciation Revolving, which receives monthly depreciation payments from state agencies owning vehicles. A separate “depreciation ledger” is also maintained to track payments received and other activity/adjustments to the fund.

The Department reconciles I/3’s cash balance in the Depreciation Revolving Fund to its depreciation ledger. The monthly and final reconciliations were not performed in a timely manner.

Recommendation – The Department should reconcile the I/3 cash balance in the Depreciation Revolving Fund to its depreciation ledger on a timely basis.

Response – The reconciliation from I/3’s cash balance to the Depreciation Revolving Fund is currently being done on a monthly basis after the Depreciation Ledger Subsidiary Ledger is closed.

Conclusion – Response accepted.

- (3) Internal Allocation of Shared Services – The Department has developed numerous accounting and office procedures manuals. However, written procedures have not been completed for the internal allocation of shared services.

Recommendation – The Department should develop written procedures for the internal allocation of shared services.

Response – While we do not have a detail narrative of the various allocation processes used by the Department we do have spreadsheet documentation that supports the calculations that occur both within the Enterprises and also from the Core or shared services to the Enterprises. We will complete a narrative of the process to go along with the spreadsheets and calculations. This will be done on an annual basis going forward.

Conclusion – Response accepted.

June 30, 2009

Findings Related to Statutory Requirements and Other Matters:

- (1) Contracts – The Department procures goods and services in accordance with Iowa Administrative Code Chapters 105, 106 and 107 and the Iowa Department of Administrative Services – General Services Procurement Manual.

Of the twenty contracts for goods selected for testing, the following were noted:

- One contract exceeded the maximum term limit of three years.
- One contract did not contain documentation regarding bid advertisement, the evaluation of the bids received and the selection of the vendor, including selection of the lowest/competent bidder and whether preference was given to an Iowa based firm.
- Two contracts did not contain documentation of informal competitive selection.

Of the eighteen contracts for services selected for testing, the following were noted:

- One contract exceeded the maximum term limit of six years.
- Two contracts did not have documentation to demonstrate Targeted Small Businesses (TSB) were notified of the bid opportunity.

Recommendation – The Department should ensure contracts are supported by evidence of advertised bids, evidence of the evaluation and selection of the vendor, evidence of informal competitive selection, as applicable, evidence TSBs are notified of all applicable bid opportunities and contracts do not exceed the maximum term limits.

Response – The Department acknowledges some documentation was not maintained, was misplaced during relocation or was prior to Department procurement policy effective March 2008. Therefore, DAS Procurement has implemented a new process which requires all purchasing agents to scan procurement files into an electronic repository. For the remaining contracts which involves areas outside of DAS procurement we are going to ask DAS Procurement to provide training and address the process and proper document retention.

Conclusion – Response accepted.

- (2) Compliance with the Code of Iowa – The Department was not in compliance with the following Chapters of the Code of Iowa during the year ended June 30, 2009:
- (a) Chapter 556.2C requires the Department, on or before July 1 of each year, to provide the Treasurer of State with a report of all unpaid outdated warrants which have been canceled and have not been previously reported to the office. This report has not been made available in a format readily useable by the Treasurer's Unclaimed Property Division.
 - (b) Chapter 8A.362 requires the Department, on or before June 15 of each year, to submit a report to the Iowa Department of Natural Resources, documenting compliance with the fuel economy standards published by the United States Secretary of Transportation in regards to new motor vehicles. This report was not submitted timely.

Report of Recommendations to the Iowa Department of Administrative Services

June 30, 2009

Recommendation – The Department should comply with the Code of Iowa.

Response –

- (a) In response to Chapter 556.2C, we do not have unclaimed property that is reported to the Treasurer’s Office. The only reporting that we do is on outdated warrants. We receive a listing of outdated warrants monthly and the listing is kept internally. Also we will be asking for the law to be changed during the next legislative session.
- (b) In response to Chapter 8A.362, the report deadline of June 15, 2009 for the 2009 model year was missed. The report documents compliance with the corporate average fuel economy standards published by the United States Secretary of Transportation, classifying vehicles as required and was delivered to the Director of the Iowa Department of Natural Resources on March 25, 2010.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Administrative Services

June 30, 2009

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Tammy A. Hollingsworth, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Jennifer L. Wall, CPA, Senior Auditor
Daniel L. Durbin, CPA, Staff Auditor
Michael D. Eckard, Staff Auditor
Joshua B. Ludwig, CPA, Staff Auditor
Jessica N. Meierotto, Staff Auditor
Marta M. Sobieszkoda, Staff Auditor
Dorothy O. Stover, Staff Auditor
Clinton J. Krapfl, Assistant Auditor
Christina M. Renze, Assistant Auditor
Reza Sepehri, Assistant Auditor
Stephanie A. Sissel, Assistant Auditor
Gabriel M. Stafford, CPA, Assistant Auditor