



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ June 27, 2003

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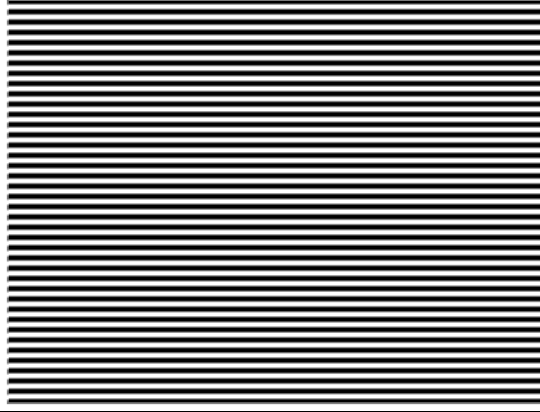
Auditor of State David A. Vaudt today released a report on the Iowa Department of Public Health for the year ended June 30, 2002.

The Department exercises general supervision over public health programs, promotes health and sanitation, carries out specific responsibilities required by law and administers state and federal laws related to public health and vital records. The Department also exercises administrative authority over the medical, dental, pharmacy and nursing examiners boards.

Vaudt recommended that the Department improve controls over cash receipts at certain Boards, payroll and capital assets. In addition, the Department should implement procedures to ensure that travel expenditures are reviewed to ensure compliance with Iowa Department of Revenue and Finance policies and procedures. The Department responded that corrective action is being implemented.

A copy of the report is available for review in the Iowa Department of Public Health or the office of Auditor of State.

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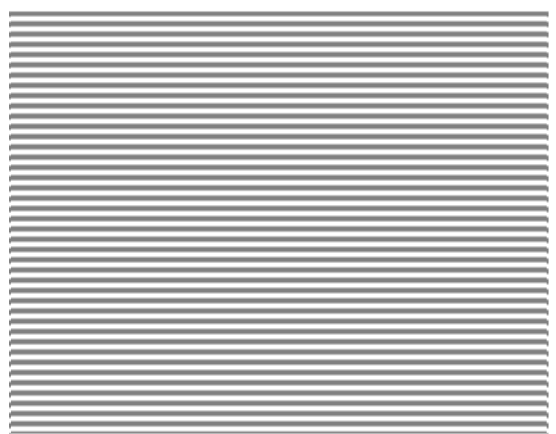
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF PUBLIC HEALTH**

JUNE 30, 2002

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



David A. Vaudt, CPA
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June 16, 2003

To Dr. Mary Minser Hansen, Director of the
Iowa Department of Public Health:

The Iowa Department of Public Health 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, 2002.

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. The recommendations pertain to the Department's internal control, compliance with statutory requirements and other matters which we believe you should be aware of. These recommendations have been discussed with Department personnel, and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Public Health, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Health 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 any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 8 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Cynthia P. Eisenhauer, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2002

Findings Reported in the State's Single Audit Report:

No matters were reported.

Findings Related to Internal Control:

- (1) Segregation of Duties - Boards – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. Segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the financial statements. Generally one individual at the Medical Board, Pharmacy Board and Dental Board may have the responsibility for receiving cash, preparing deposits, reconciling bank and book balances and recording and accounting for cash receipts.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each Board should review its operating procedures to obtain maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions, reconciliations, and reports. Such reviews would be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review. Chapter 182, Section 5 (10) (h) of the Laws of the 79th General Assembly states, “The state board of medical examiners, the state board of pharmacy examiners, the state board of dental examiners, and the state board of nursing examiners shall retain their individual executive officers, but are strongly encouraged to share administrative, clerical, and investigative staffs to the greatest extent possible.”

Response:

Medical Board – Due to a staff shortage in the last quarter of fiscal year 2002, the Medical Board changed its routine and had only two staff members doing the deposit. It has since re-instituted its routine of having three staff involved in processing receipts.

Pharmacy Board – The Administrative Assistant for the Board will periodically review and reconcile daily receipts and reports independently of the employees responsible for receiving and processing applications and fees. The daily processing report will be initialed and dated to document such review and reconciliation.

Dental Board – Due to a staff vacancy in the last quarter of fiscal year 2002, the Dental Board was not able to segregate receipt functions. However, the position has now been filled and the receipt functions are segregated.

Conclusion – Response accepted.

- (2) Segregation of Duties - Payroll – During our review of internal control, the existing control activities are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Department's financial statements. One employee can initiate and approve payroll transactions on the Human Resource Information System (HRIS).

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2002

Recommendation – Duties should be segregated so that the same person does not initiate and approve payroll transactions.

Response – All employees with approval access will be reminded that they should not approve timesheets at more than one level. In the event of an emergency and they must approve the timesheet at both levels, they will be instructed to enter remarks explaining the circumstances. In addition, all field staff will be expected to either submit timesheets and leave slips or to e-mail their time and leave approvals to the staff person who enters their timesheets.

Conclusion – Response accepted.

- (3) Capital Assets – Chapter 7A.30 of 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.
- a) Four assets totaling \$39,848 were not included on the capital asset listing maintained by the Department.
 - b) The Department utilizes computer software to maintain a listing of equipment, which includes equipment purchased by subrecipients with federal funds.
 - (1) Three of 10 items tested could not be located or confirmed by the subrecipient listed as custodian of the equipment.
 - (2) Three of 4 subrecipient assets deleted by the Department did not have documentation to support the deletion.
 - (3) The Department had an unsupported adjustment to the subrecipient capital assets of \$21,635 for a telephone system.

Recommendation – The Department should implement procedures to ensure that an up-to-date and accurate inventory of all real and personal property belonging to the state is maintained.

Response – Internal procedures have been reviewed with appropriate staff (internal IDPH and subrecipient staff) to ensure compliance with Chapter 7A.30 of the Code of Iowa.

Conclusion – Response accepted.

- (4) Travel Expenditures - Boards – During our review of expenditures at the various Boards, certain expenditures were noted that appear to be in violation of Iowa Department of Revenue and Finance Policies and Procedures 210.000 to 210.405:

Board of Medical Examiners:

- a) Three of 16 transactions tested did not identify the individual as a board member.
- b) For two of 16 transactions tested, lodging expense was improperly direct billed to the Board.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2002

- c) For one of 16 transactions tested, the miles claimed were overstated. Round trip mileage from Iowa City to Des Moines is approximately 240 miles, but actual mileage claimed was 440 miles. As a result of this finding, additional claims were tested which identified four more claims that claimed mileage at 440 miles instead of 240.
- d) For three of 16 transactions tested, the amount charged for meals was included on the claim by Board staff. There is no evidence to suggest that the board members had a meal which required reimbursement.

Pharmacy Board:

- a) Two instances were noted in which round trip mileage from Maquoketa to Des Moines was claimed for 588 miles although actual mileage is approximately 388 miles.

Recommendation – Department personnel processing and approving claims should review claims to ensure compliance with Iowa Department of Revenue and Finance policies and procedures. In addition, the Department should seek refunds of the amounts incorrectly paid.

Response –

Board of Medical Examiners:

- a) Once the accounting personnel was made aware of this audit finding, individuals will be identified as board members and no further deficiencies should occur in this area.
- b) The Medical Board will no longer pay direct bills for any lodging.
- c) A Board member's mileage reimbursement was accidentally doubled to 440 miles rather than 220 - and went unnoticed by staff until recently. An agreement has been reached that the Board member will not be paid mileage until they have completed five trips to Des Moines to make up for the overpayment. The five trips should be made up by the Board member's attendance at scheduled board meetings during fiscal year 2003.
- d) Prior to the audit, Board members were reimbursed in travel status during mealtimes after a Board meeting without a request from the Board member. Since the audit, staff has only reimbursed Board members who have submitted a request for reimbursement for each meal.

Pharmacy Board:

Personnel processing documents will include in future reviews an evaluation of the mileage claimed to ensure the claim is reasonable. The claimant who was erroneously paid for excess mileage will be contacted and asked to reimburse for the overpayment.

Conclusion – Responses accepted.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2002

Findings Related to Statutory Requirements and Other Matters:

- (1) Timely Deposits – Section 12.10 of the Code of Iowa states that departments shall, within ten days succeeding the collection, deposit with the Treasurer of State, or to the credit of the Treasurer of State in any depository designated by the Treasurer of State, ninety percent of all fees, commissions, and moneys collected or received.

Each month, Iowa counties send checks to the Iowa Department of Public Health for copy fees for items such as marriage licenses and birth certificates that have been collected for the prior month. The Department is then responsible for depositing those collections as required by the Code section cited above. In two of four months tested, receipts were collected, but not deposited timely as required by the Code of Iowa.

Recommendation – The Department should ensure supporting documentation is date stamped when received and deposits are made timely.

Response – The Iowa Department of Public Health will begin reporting and depositing these funds twice a month to ensure that deposits are made timely.

Conclusion – Response acknowledged. The appropriate amounts should be deposited within ten days of receipt as required by section 12.10 of the Code of Iowa.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2002

Staff:

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager
Timothy D. Houlette, CPA, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Tammy L. Mason, CPA, Staff Auditor
Lora A. Van Essen, CPA, Staff Auditor
Kristen E. Harang, CPA, Assistant Auditor
Scott D. Bantz, Assistant Auditor
Jeffrey M. Evans, Assistant Auditor