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STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

August 6, 2012

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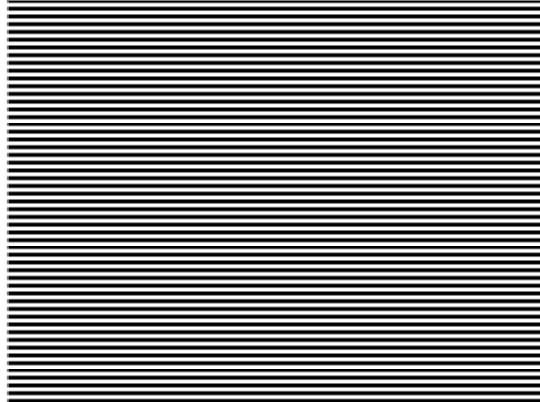
Auditor of State David A. Vaudt today released a report on the Iowa Department of Public Health for the year ended June 30, 2011.

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 boards.

Vaudt recommended the Department improve controls over the recording of capital assets and cash management and reporting over federal programs. The Department responded corrective action is being implemented.

A copy of the report is available for review in the Iowa Department of Public Health, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1260-5880-BR00.pdf>.

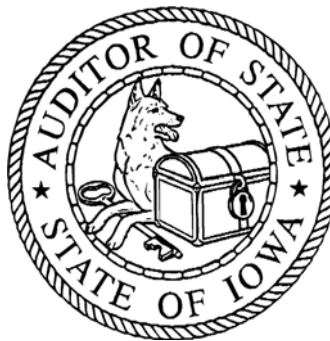
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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF PUBLIC HEALTH**

JUNE 30, 2011

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



David A. Vaudt, CPA
Auditor of State





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August 1, 2012

To Marianne Miller-Meeks, 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, 2011.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which include those reported in the State's Single Audit Report and 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 Public Health's 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 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 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.

Handwritten signature of David A. Vaudt in black ink.

DAVID A. VAUDT, CPA
Auditor of State

Handwritten signature of Warren G. Jenkins in black ink.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2011

Findings Reported in the State's Single Audit Report:

CFDA Number: 93.268 – Immunization Grants
Agency Number: 5H23IP722542-08, 5H23IP722542-09
Federal Award Year: 2010, 2011

CFDA Number: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse
Agency Number: 2B08TIO10016-10, 2B08TIO10016-11
Federal Award Year: 2010, 2011

State of Iowa Single Audit Report Comment: 11-III-HHS-588-3

- (1) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of state and other federal funds used to supplant programs until federal funds are received.

A review of the Department's records identified the following instances where cash balances were in excess of \$50,000:

- (a) Ten instances of five to forty-two business days for the Immunization program.
- (b) Four instances of five to thirty-seven business days for the Prevention and Treatment of Substance Abuse program.

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

Response and Corrective Action Planned – The Department has reviewed current cash management of federal funding, including the practice of encumbering funds for future vendor payments. This practice inflated the amount of drawdown for immediate cash flow with the State's accounting system and resulted in excessive federal fund balances. The Department has revised its procedures effective the beginning of fiscal year 2012 and no longer encumbers funding at the time of procurement from vendors.

Conclusion – Response accepted.

CFDA Number: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse
Agency Number: 2B08TIO10016-10
Federal Award Year: 2010

State of Iowa Single Audit Report Comment: 11-III-HHS-588-25

- (2) Federal Financial Report – The terms and conditions included in the Notice of Award states, "Grantees shall submit a Federal Financial Report (SF-425) by December 31, 2011 which is 90 days after the end of the obligation and expenditure period of this grant." The Department submitted the SF-269, Financial Status Report, in place of the required SF-425 report.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2011

Recommendation – The Department should submit the required report in accordance with the terms and conditions of the grant award.

Response and Corrective Action Planned – Federal agencies are requiring the filing of the SF-425 as replacement for SF-269 for random individual grants. The Department resubmitted the financial report on form SF-425 on February 10, 2012. Department staff will provide increased attention to the financial reporting requirements included in the federal grant awards.

Conclusion – Response accepted.

CFDA Number: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse
Agency Number: 2B08TIO10016-11
Federal Award Year: 2011

State of Iowa Single Audit Report Comment: 11-III-HHS-588-26

- (3) Federal Funding Accountability and Transparency Act Reporting – The Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252) requires prime awardees to submit reports regarding their first-tier subawards to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports are due for all applicable subrecipient grants by the end of the month subsequent to the month the grants were awarded. This requirement applies to grants awarded on or after October 1, 2010.

The Department has not reported sub-award information as required by the Federal Funding Accountability and Transparency Act.

Recommendation – The Department should establish policies and procedures to ensure reports are submitted timely and in accordance with the Federal Funding Accountability and Transparency Act.

Response and Corrective Action Planned – The Department is developing a standard report form and procedures for the consistent collection and reporting of sub-award data for which the prime awardee awards any sub-grant equal to or greater than \$25,000 as required by federal grants. The Department procedure will provide for reporting of the information via the FSRS. The Department anticipates approval and implementation of the new processes to occur at the end of the fiscal year.

Conclusion – Response accepted.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2011

**CFDA Number: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse
Agency Number: 2B08TI010016-10, 2B08TI010016-11
Federal Award Year: 2010, 2011**

State of Iowa Single Audit Report Comment: 11-III-HHS-588-27

- (4) Payroll Distribution – OMB Circular A-87 states employees who work on multiple programs will distribute their time based on actual activity. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support. The Department develops a budget documenting the percentage of time employees are expected to work on each federally funded program.

For one employee tested, recorded hours were based on the predetermined budget rate rather than the actual hours.

Recommendation – The Department should ensure employees record actual hours worked on the federal program rather than the predetermined rate.

Response and Corrective Action Planned – Employees are responsible for recording their actual worked time per activity in the HRIS system for each pay period. The Department will issue communication to management staff regarding the requirements for correct documentation of actual work time within the HRIS system for discussion with their respective employees.

Conclusion – Response accepted.

Finding Related to the State’s Report on Internal Control:

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 for the Department:

- (a) The Department did not perform a reconciliation of capital asset additions to I/3 expenditures for the four Boards within the Department. Personnel at two of the Boards stated they had performed the reconciliation. However, no supporting documentation was maintained to evidence the reconciliation. The other two Boards did not perform the required reconciliations.
- (b) For three of twenty asset disposals tested, the Department did not maintain documentation evidencing proper approval for disposed assets.
- (c) One capital asset purchase totaling \$5,003 was not included as an addition on the asset listing for the Board of Medicine.
- (d) The Department is not applying the depreciation policy consistently to all assets in the year of acquisition.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2011

Recommendation – The Department should develop written procedures to ensure a detailed, up-to-date capital asset listing is maintained. Procedures should include, but not be limited to, ensuring all capital asset additions are reconciled to I/3 asset purchases and disposal of assets are properly approved and documentation is retained evidencing proper approval. The reconciliation should also be reviewed by a person independent of the record keeping process. The independent reviewer should sign and date the reconciliation as evidence of review. In addition, the Department should ensure the depreciation policy is applied consistently.

Response – The Department’s written procedures for capital asset management, including the reconciliation to I/3 asset purchases, the approval and retention of support for disposed assets and consistent application of depreciation methods will be implemented throughout the Department.

The four Boards within the Department have reviewed/ revised their respective formalized policies regarding capital asset acquisition and reconciliation. The Boards will reconcile the capital asset listing to I/3 asset purchases and document the reconciliation and review of all additions to capital assets for each state fiscal year. Documentation of the reconciliation of the capital asset additions will be available for all future audits.

Conclusion – Response accepted.

Other Finding Related to Internal Control:

Subrecipient Monitoring – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of the subrecipients, as necessary, to ensure federal awards are used for authorized purposes and in compliance with laws, regulations and provisions of the contract or grant. As of June 30, 2011, the Department was in the process of developing written policies and procedures for monitoring grant funds provided to Local Public Health Agencies and limited on-site monitoring reviews were performed by the Department in fiscal year 2011.

Recommendation – The Department should continue to develop and implement written procedures addressing subrecipient monitoring of grant funds provided to Local Public Health Agencies to ensure federal requirements are met. Continued on-site monitoring should be performed and adequate documentation should be maintained of the oversight activities performed, findings noted and the corrective action taken.

Response and Corrective Action Planned – Following the recommendations, a team was tasked to develop a site visit/program compliance procedure. The three person team developed processes and piloted/ tested it on three hospitals and three local public health agencies in late November and early December of 2011. After the pilot visits were conducted, the team incorporated their findings into the final process/procedure. The program was fully implemented in January 2012. On-site compliance reviews will be performed for contractual agencies every five years at a minimum. Twenty percent of all agencies will receive an annual compliance visit by the end of the federal fiscal year.

Conclusion – Response accepted.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2011

Finding Related to Statutory Requirements and Other Matters:

Code Compliance – Chapter 157.11 of the Code of Iowa requires the Department to perform biennial inspections of salons, defined as an establishment where one or more persons is engaged in the practice of cosmetology arts and sciences. The Department has not performed the required inspections.

Recommendation – The Department should perform salon inspections biennially in accordance with the Code of Iowa.

Response – In 2009, the Board of Cosmetology Arts and Sciences requested cost estimates for providing inspections for salons from the Department of Inspections and Appeals. Estimates received at that time ranged from \$105,679 annually for new salon inspections, \$232,517 annually for random inspections to be performed every 3 years and \$140,105 annually for random inspections to be performed every 5 years. At that time, the Board decided it was too cost prohibitive to the licensees and did not authorize the inspections. The Board still considers inspections of salons an important component in protecting the public but have not pursued other options. The Department will address this with the Board at the next Board meeting.

Conclusion – Response acknowledged. However, the Department should take the necessary steps to comply with the Code of Iowa or seek to repeal or amend the applicable Code section.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2011

Staff:

Questions or requests for further assistance should be directed to:

Jennifer Campbell, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Tiffany M. Ainger, Senior Auditor
Alison P. Herold, CPA, Senior Auditor
Jennifer M. Kopp, Senior Auditor
Tyler L. Carter, Staff Auditor
Brooke A. Lytle, Staff Auditor
Hannah K. Haas, Assistant Auditor