



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ August 29, 2012

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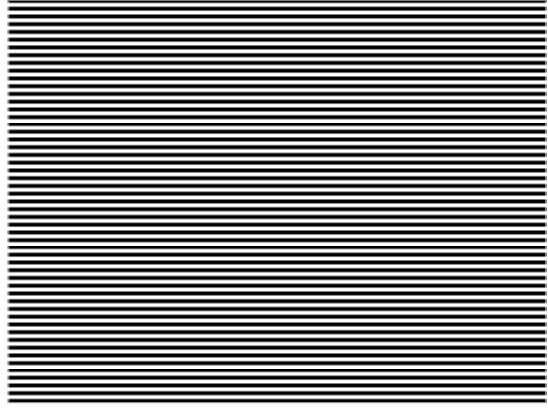
Auditor of State David A. Vaudt today released a report on the Iowa Department of Public Safety for the year ended June 30, 2011.

The Iowa Department of Public Safety is a statewide organization charged with promoting the safety of all Iowans from hazards associated with crime, fire and traffic through law enforcement.

Vaudt recommended the Department improve controls over the segregation of duties for payroll, travel reimbursements, compliance with targeted small business reporting, personal services contracts and fire incident reporting. The report also includes the Department's responses to the recommendations.

A copy of the report is available for review in the Iowa Department of Public Safety, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1260-5950-OR00.pdf>.

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

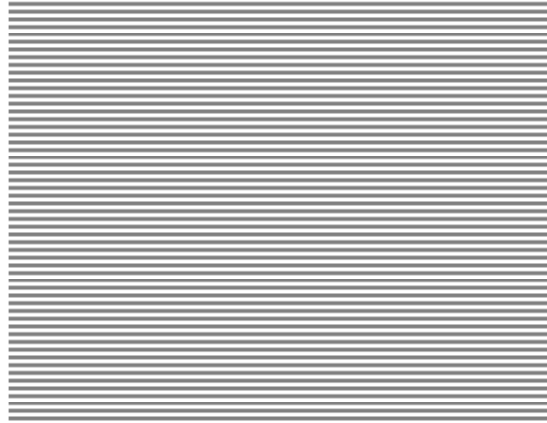
JUNE 30, 2011

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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August 27, 2012

To Steven L. Ponsetto, Interim Commissioner
of the Iowa Department of Public Safety:


The Iowa Department of Public Safety 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 a recommendation 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 Public Safety'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 Safety, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Safety 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 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 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 Safety

June 30, 2011

Finding Reported in the State's Single Audit Report:

No matters were noted.

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

Payroll – The Department processes and records payroll and personnel information on the Human Resource Information System (HRIS). The Human Resource Associates utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises. Certain individuals have the ability to initiate and approve P-1 documents.

Recommendation – To strengthen controls, the Department should develop and implement procedures to segregate the duties of the Human Resource Associates.

Response – The Department of Public Safety (DPS) has requested the Department of Administrative Services start providing payroll report titled "P-1 APPRV". This report will allow DPS to verify department approvals of payroll documents are being applied appropriately. Each report will be initialed and dated by the Finance Bureau Chief, or Director of Administrative Services Division, and kept on file as documentation of the supervisory review.

Conclusion – Response accepted.

Other Finding Related to Internal Control:

Travel Reimbursements – Executive Branch employees are required to submit actual itemized receipts provided by the vendor for each meal, travel and other work related allowable costs, including, but not limited to, lodging, registration, postage and parking. These actual expenses are to be submitted on a travel claim, supported by receipts and reimbursed to the employee by their Department. These reimbursements should occur in a timely manner. During fiscal year 2011 testing, the following were noted:

- 1) For 57 of 77 travel reimbursements tested, the reimbursement was not paid within 30 days.
- 2) For two of 77 travel reimbursements tested, meals were reimbursed although no itemized receipts were submitted.
- 3) For one of 77 travel reimbursements tested, the reimbursement included mileage even though the employee drove a state vehicle during travel.

Recommendation – The Department should ensure the procedures provided by DAS for approving travel reimbursements are followed in an efficient and timely manner.

Report of Recommendations to the

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Response – The Finance Bureau has always had a goal of making prompt and accurate reimbursement to employees incurring costs while traveling for the State. The Department has held two LEAN events (one ZOOM process out of which the travel P-Cards were conceived and one Kaizen) in an attempt to find inefficiencies in our processes. Both LEAN events identified one obstacle to timely reimbursement was the length of time between the employee's signature on the claim and the Division's approval, which in some instances has been as long as two months. Research found instances in which the employee did not submit the claim timely after applying a signature and the geographical dispersion of the Department also causes inherent delays.

To aggravate the difficulties, events of the last several years have made the goal extremely difficult to attain. The Bureau lost 33% of the accounting staff due to budget reductions in state fiscal year 2010 and the provisions of Executive Order 13 have further exacerbated the delays. Errors contained in travel claims were amplified with the multitude of additional requirements which were placed on the claimant. The Department has held multiple training sessions to reduce errors and therefore the resulting delays by making the traveler and the immediate supervisor more knowledgeable of Executive Order 13 and the travel policies in general.

If the belief is that the extra effort required by Executive Order 13 is in the best interest of the taxpayer, then adequate resources must be afforded the administrative functions charged with fulfilling those requirements. To divert resources from other tasks will only result in delayed payroll, delayed payment of vendor claims, delayed or eliminated submission of critical reports such as the GAAP report or legislatively mandated reports. Reduced budgets do not afford adequate resources. Until additional resources are made available, or the requirements of Executive Order 13 are rescinded, the Department will be unable to address the deficiencies noted above.

In reference to the one claim where mileage was paid when a state vehicle was used, we were able to get the payment returned and deposited back into the fund before the fiscal year ended.

Conclusion – Response acknowledged.

Report of Recommendations to the

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Findings Related to Statutory Requirements and Other Matters:

- (1) Targeted Small Business Reports – Chapter 73.16 of the Code of Iowa requires each agency or department to report total purchases from certified targeted small businesses (TSB). This report is due to the Iowa Department of Economic Development (now the Iowa Economic Development Authority) within fifteen days following the end of each calendar quarter.

The Department did not submit all required quarterly reports on a timely basis.

Recommendation – The Department should establish procedures to ensure all TSB quarterly reports are submitted on a timely basis.

Response – As a result of budget reductions over the past decade the Department has found it necessary to identify tasks which will no longer be completed. The information requested in the Targeted Small Business Reports is available in the I/3 Data Warehouse and we believe there is no value added by this Department editing the information and making minute adjustments to ensure it fits a prescribed format.

Conclusion – Response acknowledged. The Department should comply with the Code of Iowa or seek to have the provisions changed or repealed.

- (2) Personal Services Contracts – Iowa Department of Administrative Services (DAS) Policy 240.102 provides general guidelines to be used by departments when entering into personal services contracts. The required procedures include a determination, prior to signing the contract, as to whether the contractor has an employer/employee relationship with the State. To make this determination, departments are to submit copies of the pre-contract questionnaire, Internal Revenue Service (IRS) form SS-8 and the proposed contract to the State Accounting Enterprise at DAS.

Testing of fifteen personal services contracts for the Department identified the following:

- (1) The Department does not maintain a listing of all current contracts.
- (2) For seven contracts, the contract did not contain a non-availability of funds clause.
- (3) For seven contracts, evidence of bidding or sole source justification was not maintained.
- (4) For ten contracts, the required pre-contract questionnaire was not on file.
- (5) For three contracts, the required IRS form SS-8 was not on file.
- (6) For ten contracts, the contract was not signed by the Department prior to the contract execution date.

Recommendation – Personal services contracts should include the required elements as identified in the laws and regulations governing state contracts. The Department should also maintain a listing of all contracts entered into and outstanding.

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Response – Depending on the size and duration of contracts a non-appropriation of funds clause may be a moot point. If the services are provided within a period of time the Department is reasonably certain funds will be available, or if the dollar value of the contract is so insignificant, the inclusion of the clause is inconsequential.

While the Department has always required bids, regardless of the value of the contract, we have found our guidance to personnel has been subverted by the Department of Administrative Services. Staff has been advised by the Department of Administrative Services Purchasing unit that for relatively small value contracts, under \$5,000, that DAS did not require bids. This has led to confusion among those authorized to enter into such agreements.

The Department has developed clear policy with regards to procuring goods and services as a part of our accreditation process and all employees are required to read and acknowledge receipt of all policies. Divisions are also required to submit all copies of all contracts to the Finance Bureau. Despite these measures, the Finance Bureau does not always become aware of contracts and memorandum of understandings. We will reemphasize all contracts must be forwarded to the Finance Bureau and have recently created a master list of the agreements to help identify status of contracts.

Conclusion – Response acknowledged. The Department should establish procedures for the review and approval of personal services contracts prior to signing the contract to ensure compliance with DAS Policy 240.102.

- (3) Reports of Fire and Emergency Responses - Chapter 100.3 of the Code of Iowa requires local fire officials to file a report with the State Fire Marshal's Office within 10 business days following the end of each month for all fires causing an estimated damage of fifty dollars or more or emergency responses by the fire service. For fires causing death, serious bodily injury or property damage in excess of two hundred thousand dollars, the local fire official is required to notify the State Fire Marshal's Office immediately.

The State Fire Marshal's Office is only requiring local fire officials to file a report for fires causing an estimated damage of fifty dollars or more or emergency responses by the fire service on an annual basis.

Recommendation – The Department should establish procedures to require all local fire officials to report fires causing an estimated damage of fifty dollars or more or emergency responses to the State Fire Marshal's Office within 10 business days following the end of each month.

Response – The State Fire Marshal's Office has made new fire reporting software available to local fire departments. This new software will automatically generate the statutory report when the local department makes the initial report of a fire. Three weeks after the deployment of this new software last year, nearly 15% of all departments had begun utilizing the program. As of this date, the reporting has increased to 50%. The Fire Marshal's Office will continue its efforts to increase the reporting to 100%. As an example, a large training class on the use of the software is planned.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Safety
June 30, 2011

Staff:

Questions or requests for further assistance should be directed to:

Suzanne R. Dahlstrom, CPA, Manager
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Donald J. Lewis, CPA, Senior Auditor
Jessica P. V. Green, Staff Auditor
Alison P. Herold, CPA, Staff Auditor
Jenny M. Podrebarac, Staff Auditor
Philip A. Rethwisch, Assistant Auditor