



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE July 12, 2004

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Information Technology Department for the year ended June 30, 2003.

The Information Technology Department is mandated by statute to foster the development and application of information technology to improve the lives of Iowans.

Effective July 1, 2003, the Information Technology Department became the Information Technology Enterprise of the Department of Administrative Services.

Vaudt recommended the Department develop a written policies and procedures manual for all accounting transaction cycles and maintain documentation to support billing rates.

A copy of the report is available for review at the Information Technology Department or the Office of Auditor of State.

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**REPORT OF RECOMMENDATIONS TO THE
INFORMATION TECHNOLOGY DEPARTMENT**

JUNE 30, 2003

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



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March 9, 2004

To John Gillispie, Chief Operating Officer,
Information Technology Department:

The Information Technology Department 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, 2003.

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 pertain to the Department's internal control, 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.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Information Technology Department, citizens of the State of Iowa and other parties to whom the Information Technology 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
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

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

Information Technology Department

June 30, 2003

Findings Reported in the State's Single Audit Report:

No matters were noted.

Finding Related to Internal Control:

- (1) Written Accounting Procedures – Written policies and procedures aid current and new employees in discharging accounting responsibilities and provide employees written management expectations. The Department has not completed a written policies and procedures manual for all accounting transaction cycles.

Recommendation – The Department should complete and provide an accounting policies and procedures manual to all accounting staff.

Response – The Department recognizes that an accounting policies and procedures manual aids current and new employees by defining responsibilities and setting expectations. As the Information Technology Department is transitioned to the Department of Administrative Services, steps will be taken to document an accounting policy and procedures manual for all accounting transaction cycles for the new department.

Conclusion – Response accepted.

June 30, 2003

Findings Related to Statutory Requirements and Other Matters:

- (1) Billing Rates – The Department charges other state agencies for information technology services (i.e. mainframe, network, security services, et al). The methodology used to determine the billing rates for each type of service is not documented. In addition, the Department increased billing rates for fiscal year 2003 by 7.5%. However, the basis for this increase was not documented.

The Department indicated the rates are established to recover costs. However, an analysis of costs and revenues for each type of service was not provided.

Recommendation – The Department should prepare an analysis or other documentation to support the billing rates used to bill other state agencies.

Response – During FY 2004, the Department has begun to evaluate all rates. This evaluation resulted in a decrease of 12% to mainframe rates. The evaluation of rates will happen in phases and will document the methodology used to determine the billing rates for each major type of service.

Conclusion – Response accepted.

- (2) Contracts – Certain contracts entered into between the Department and various private companies/consultants were the subject of a review performed by the Office of Auditor of State. The findings of this review are summarized in a separate report, entitled “Department of Administrative Services Information Technology Enterprise – A Review of Selected Service Contracts” which was issued on March 12, 2004. This report is available for review in the Governor’s Office, the Department of Administrative Services, the Office of Auditor of State and on the Auditor of State’s website at www.state.ia.us/government/auditor/reports.

Report of Recommendations to the Information Technology Department

June 30, 2003

Staff:

Questions or requests for further assistance should be directed to:

Cynthia L. Weber, CPA, Manager
Shawn P. Limback, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Michael J. Gentry, Jr., Assistant Auditor
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