



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

August 14, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released a report on the Iowa Department of Workforce Development for the year ended June 30, 2013.

The Iowa Department of Workforce Development is comprised of seven divisions: Worker's Compensation Commission, Labor Commission, Administrative Services, Unemployment, Information Technology, Workforce Services and Communications and Labor Market. The Department is responsible for administration of the statutes and regulations relating to unemployment compensation insurance, job placement and training, employment safety, labor standards and workers' compensation.

Mosiman recommended the Department develop procedures to:

- (1) Ensure compliance with the Work Verification Plan developed by the Iowa Department of Human Services.
- (2) Ensure information generated for financial reporting is properly tested and reviewed for accuracy.
- (3) Review capital asset policies and procedures to ensure a detailed, up-to-date capital asset listing is maintained.
- (4) Develop procedures to ensure proper segregation between the Human Resources Associates duties and other payroll duties.
- (5) Identify sensitive positions and ensure background investigations are routinely performed as part of the hiring process.
- (6) Ensure necessary steps are taken to comply with the Code of Iowa or continue to seek the repeal of outdated Code sections.

The report also includes the Department's responses to the recommendations.

A copy of the report is available for review at the Iowa Department of Workforce Development, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1460-3090-BR00.pdf>.

###

**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF WORKFORCE DEVELOPMENT**

JUNE 30, 2013

— Office of —
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



Mary Mosiman, CPA
Auditor of State



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

August 11, 2014


To Teresa Wahlert, Director of the
Iowa Department of Workforce Development:


The Iowa Department of Workforce Development 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, 2013.

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 Workforce Development'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 Department, citizens of the State of Iowa and other parties to whom the 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 8 and they are available to discuss these matters with you.


MARY MOSIMAN, 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

June 30, 2013

Finding Reported in the State's Single Audit Report:

CFDA Number: 93.558 – Temporary Assistance Needy Families

Agency Number: ACFS 13-010

Federal Award Year: 2013

State of Iowa Single Audit Report Comment: 13-III-HHS-309-5

Work Verification Plan – The Iowa Department of Human Services (DHS) is required to submit a Work Verification Plan to the U.S. Department of Health and Human Services (HHS). The Iowa Department of Workforce Development (IWD) provides Promise Jobs services under contract with DHS. The Work Verification Plan requires IWD field offices to submit a weekly report for participants choosing a Limited Benefit Plan (LBP). IWD Quality Assurance staff are then required to randomly select 10% of the submitted LBPs for a second level review to ensure program policies, procedures and rules are followed. IWD did not complete these second level reviews during fiscal year 2013.

In addition, the Work Verification Plan requires one Promise Jobs case file to be reviewed monthly by each IWD Workforce Advisor. The system at DHS selects the case files to be reviewed each month. For one IWD staff member of five selected for testing, eight of twelve months had an incomplete case file review.

Recommendation – The Department should ensure it is in compliance with the Work Verification Plan.

Response and Corrective Action Planned – IWD does not have oversight or control of the Promise Job Case Reading Tool (PJCRT), which belongs to DHS. During the review year, DHS needed to implement changes to the system as a result of IWD's service delivery model redesign from Regions to Territories and the subsequent change in program staff and management assigned to individual cases. As a result, some cases were not able to be read because they were no longer connected to a case manager working in Promise Jobs and a new manager had been assigned by either IWD or a subcontractor. It is our understanding DHS has addressed these glitches. At the same time, Promise Jobs program management had a major change with a retirement and the subsequent need to assign and train new staff. A DHS employee is now working in the program and works closely with IWD Promise Jobs program managers. We work in conjunction with DHS staff when issues arise to resolve them in a timely manner. As it stands right now, the PJCRT system randomly pulls one case file for every case manager each month. The Promise Jobs Manager or designee reviews the case file.

Conclusion – Response accepted.

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

- A. Unemployment Benefits Fund – To comply with governmental accounting and financial reporting standards for the Unemployment Benefits Fund, the Iowa Department of Workforce Development (IWD) has developed the MYIOWAUI system to track employer unemployment insurance contributions based on quarterly employer payroll reports. The system generates information regarding the balance of employer contributions receivable and delinquent accounts, including penalty and interest calculations, for financial reporting purposes. This activity is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The following issues were noted for the year ended June 30, 2013:

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2013

- (1) IWD reported \$16,678,220 of accounts receivable and \$9,201,359 as an allowance for doubtful accounts on the accounts receivable GAAP package page and also in the Unemployment Benefits Fund page. As a result, the net accounts receivable balance was overstated by \$7,476,861. This was properly adjusted for reporting purposes.
- (2) According to IWD, an account goes to non-collectible status when the most recent debt creation date on the account is older than 720 days and the last payment was not received within 90 days. These accounts should be written off for reporting purposes and not included in the balance reported in the GAAP package. During testing, \$319,240 of \$47,993,020 of contributions, \$189,343 of \$14,569,869 of interest and \$36,644 of \$2,738,264 of penalties older than 720 days were included in the accounts receivable balance reported in the GAAP package.

Recommendation – IWD should ensure financial information generated for the GAAP package is properly reviewed for accuracy. IWD should continue to modify the MYIOWAUI system to ensure the data is accurate, timely and conforms to established policy.

Response – For number (1), IWD will ensure the numbers are cross checked between the submittal of the draft GAAP package and the final GAAP package reporting dates to ensure receivables are not accounted for in both locations of that report. For number (2), IWD will also review the existing policy for non-collectible accounts and determine if the language should be updated and or changed. The policy appears to be inconsistent in terms of stating balances should be considered uncollectible after 720 days or if they have not made payment within the past 90 days. It would be unclear to determine whether balances should or shouldn't be included in the GAAP package with a definition which includes conflicting statements. IWD will review any applicable federal guidelines and determine what action should be taken before the next GAAP package is due.

Conclusion – Response accepted.

B. 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:

- (1) The Department did not maintain an intangible asset listing. As a result, the original balance reported in the GAAP Package for intangible assets could not be supported. The Department subsequently prepared an intangible asset listing and made a GAAP Package adjustment for \$1,681,575, primarily relating to prior year additions which should not have been added.
- (2) Seven of twenty-five capital assets observed did not have a State property tag affixed to them.
- (3) For eleven of the twenty-five items tested, the capital asset listing did not contain enough information to identify the individual capital asset for observation.
- (4) Approval for deletions was done after the end of the fiscal year.

June 30, 2013

Recommendation – The Department should develop procedures to ensure a detailed, up-to-date capital asset listing is maintained for all assets with enough information to identify the capital assets. Procedures should include, but not be limited to, ensuring all capital asset deletions are approved timely and prior to deletion and all assets are properly tagged.

Response –

- (1) This was corrected for GAAP package reporting purposes and no further action appears to be necessary at this time.
- (2) IWD will reiterate the policies regarding the tagging of equipment to all personnel responsible for that process. In addition, future on-site financial monitoring will include a larger sampling of inventory items to ensure tags have been affixed to the property.
- (3) IWD will review the inventory log to see if any additional information can be added. In some cases, this is not possible as many IT equipment items do not have serial numbers and, therefore, it is difficult to include any additional information other than what is listed on the current inventory. However, we will review those items and see what, if any, additional information could be included.
- (4) IWD will clarify the policy with staff regarding proper communication with Financial Management on the disposal of property to ensure we are notified at the time of disposal and not at the time of physical inventory.

Conclusion – Response accepted.

- C. Payroll – Departments process and record 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. Two employees have the ability to initiate and approve P-1 documents. These individuals also have the ability to initiate and approve timesheets.

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

Response – There are a limited number of options given IWD only has two HR staff members. However, we will review the current process and determine what actions might be taken to ensure tighter internal control and segregation of duties for this function.

Conclusion – Response accepted.

Other Finding Related to Internal Control:

Background Investigations – The Department hires employees for various positions, including positions which are sensitive in nature, such as information technology staff, individuals with access to cash, etc. Background investigations are not routinely done as part of the hiring process.

June 30, 2013

Recommendation – The Department should develop procedures to identify sensitive positions and ensure background investigations are routinely performed as part of the hiring process.

Response – The Department continues to evaluate and determine the appropriate policies and procedures to consistently apply regarding when background checks should be performed. IWD has done background checks on key staff within the agency and would request some basic standards be put into place for all State Agencies to follow. All Agencies would have the option of expanding those requirements given the unique situations each agency may need to address.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

Iowa Code Compliance – The following were noted:

- (a) Iowa Conservation Corps – Chapter 84A.7 of the Code of Iowa establishes the Iowa conservation corps to provide meaningful and productive public service jobs for youth, unemployed persons, persons with disabilities, disadvantaged persons and elderly persons and to provide participants with an opportunity to explore careers, gain work experience and contribute to the general welfare of their communities and state. The Department is to administer the Iowa conservation corps and its account.

This program and the account are currently inactive.

- (b) Statewide Mentoring Program – Chapter 84A.9 of the Code of Iowa states the Department shall establish and administer, in collaboration with the Departments of Human Services, Education and Human Rights, a statewide mentoring program to recruit, screen, train and match individuals in a mentoring relationship.

This program is currently inactive.

- (c) New Employment Opportunity Program – Chapter 84A.10 of the Code of Iowa states the Department shall implement and administer a new employment opportunity program to assist individuals in under-utilized segments of Iowa's workforce, including, but not limited to, persons with physical or mental disabilities, persons convicted of a crime or minority persons between the ages of 12 and 25, to gain and retain employment.

This program is currently inactive.

Recommendation – The Department has previously requested the repeal of these outdated Code sections and should continue to work toward the repeal of these outdated Code sections.

Response – IWD will continue to work with the Legislature to get outdated program legislation repealed.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2013

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Brian P. Schenkelberg, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Tiffany M. Ainger, CPA, Senior Auditor II
Jamie T. Reuter, Senior Auditor
Brandon J. Vogel, Senior Auditor
Trisha S. Kunze, Staff Auditor
Kaylynn D. Short, Staff Auditor
Laura M. Wernimont, Staff Auditor
Tiffany N. Aliprandi, Assistant Auditor
Matthew J. Erlbacher, Assistant Auditor
Melissa A. Hastert, Assistant Auditor
Melissa E. Janssen, Assistant Auditor
James P. Moriarty, CPA, Assistant Auditor
Ben R. Salow, Assistant Auditor
Elizabeth A. Shaw, Assistant Auditor
Kyle C. Smith, Assistant Auditor
Janell R. Wieland, CPA, Assistant Auditor
Tyler B. Bishop, Audit Intern