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NEWS RELEASE

FOR RELEASE _____ October 13, 2014

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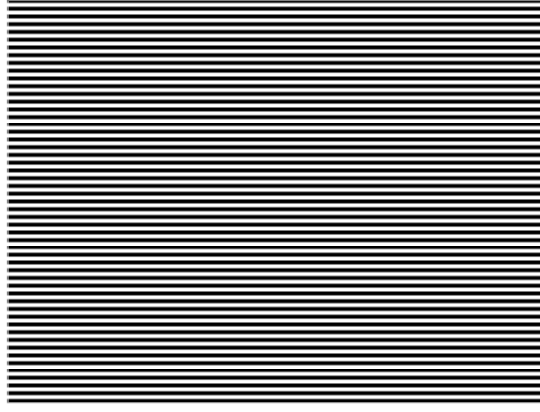
Auditor of State Mary Mosiman today released a report on the Iowa Communications Network (ICN) for the year ended June 30, 2013.

The ICN is responsible for the management, development and operation of the statewide telecommunications network which carries and switches full motion interactive video, voice and data traffic for Iowa's educational institutions and other authorized users.

Mosiman recommended the ICN develop policies and procedures to ensure subrecipient audit reports are reviewed in a timely manner and documentation of monitoring visits is maintained. Mosiman also recommended the ICN strengthen internal controls over financial reporting and information systems. The ICN's responses to the recommendations are included in the report.

A copy of the report is available for review at the Iowa Communications Network, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/1460-3360-OR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA COMMUNICATIONS NETWORK**

JUNE 30, 2013

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



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October 6, 2014

To the Members of the Iowa Telecommunications
and Technology Commission:

The Iowa Communications Network (ICN) 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 ICN'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 a recommendation pertaining to the ICN's internal control. These recommendations have been discussed with ICN personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the ICN's responses, we did not audit the ICN'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 Communications Network, citizens of the State of Iowa and other parties to whom the Iowa Communications Network 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 ICN 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 ICN are listed on page 6 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: 11.557 – ARRA - Broadband Technology Opportunities Program (BTOP)

Agency Number: NT10BIX5570069

Federal Award Year: 2013

State of Iowa Single Audit Report Comment: 13-III-DOC-336-1

Monitoring of Subrecipients – OMB Circular A-133 requires the ICN to ensure required audit reports of subrecipients expending \$500,000 or more in federal awards are completed within nine months of the subrecipient's fiscal year end, issue a management decision on audit findings within six months of the receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action on all findings. The ICN did not obtain subrecipient audit reports for review.

Although the ICN performed on-site monitoring visits of its subrecipients, documentation of these visits was not maintained.

Recommendation – The ICN should develop policies and procedures to ensure subrecipient audit reports are reviewed in a timely manner and documentation of monitoring visits is maintained.

Response and Corrective Action Planned – Of the two subrecipients, only one had qualifying expenditures meeting the \$500,000 audit threshold in fiscal year 2012. There was not a review of the fiscal year 2012 audit report, other than making the subrecipient aware any reportable comments must be reported to the ICN. No federal comments were identified in the subrecipient's fiscal year 2012 audit. The ICN has obtained the subrecipient audit reports for fiscal year 2013, which will be reviewed and corrective actions taken will be addressed in the required timeframe. In the future, documentation of monitoring visits will be maintained.

Conclusion – Response accepted.

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

Financial Reporting – State departments record receipts and disbursements in the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded in the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year. For the year ended June 30, 2013, the ICN understated accounts payable by \$608,516.

Recommendation – The ICN should ensure the GAAP package information reported is complete and accurate.

Response – Most of the variance was because fiscal year 2013 purchase orders (POs) were received after we closed the inventory for the year. We had quite a few PO's in which the equipment was shipped directly to the sites instead of going through the warehouse. Another issue is large projects, where the installation and implementation costs are included with the price of the equipment on the PO. Thus the project may not be complete, but the equipment may have been delivered, creating a problem for how to receive and record the line items for the equipment portion of the PO. \$578,859 is due to one of the situations listed above.

Report of Recommendations to the Iowa Communications Network

June 30, 2013

Unfortunately, we don't have a good process to ensure the packing slips are returned to the warehouse so the PO can be received and recorded. In the past, the accounts payable staff reviewed the open PO list regularly to track down these instances. But because of under staffing and abnormally high absences by employees, this was not done near the end of the year. We have taken steps to remedy the off-site receiving process by asking the engineering staff to make sure warehouse staff are notified when equipment has been received and the accounts payable staff will get back to reviewing open POs timely.

Conclusion – Response accepted.

Other Finding Related to Internal Control:

Password Controls – User identification numbers and passwords identify and authenticate users in controlling access to system resources. Typical controls for protecting information resources include the use of strong passwords which are at least eight characters in length, include a combination of alpha, numeric and special characters, are changed every 60 to 90 days, are not allowed to be reused and are locked out after a limited number of consecutive unsuccessful attempts. Passwords for certain systems include several of these control features, but other control features are not present.

Recommendation – The ICN should take steps to strengthen password controls.

Response – The ICN Finance Department's security is set by the Finance Department System Administrator for each module and field within the finance databases. The billing database was purchased in 1998 and is unable to reset automatically and would need to be changed manually. The ICN Finance Department is completing a Request for Proposal (RFP) for a new billing database and should have it in place in fiscal year 2015.

The second database, Solomon, also has security set by module and field by the System Administrator. The ICN Finance Department will change the process to have password changed every 90 days.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa Communications Network

June 30, 2013

Staff:

Questions or requests for further assistance should be directed to:

Suzanne R. Dahlstrom, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Jessica L. Barloon, Staff Auditor
Joshua W. Ostrander, Staff Auditor
Ramona E. Daly, Assistant Auditor
Ryan J. Pithan, Assistant Auditor
Benjamin R. Salow, Assistant Auditor