



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

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**NEWS RELEASE**

FOR RELEASE

July 28, 2015

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released a report on the Iowa Department of Education for the year ended June 30, 2014.

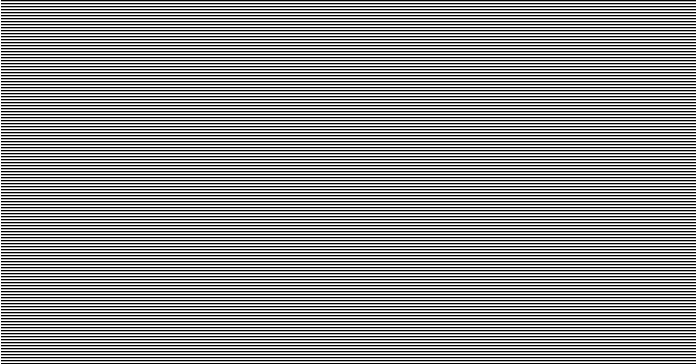
The Department is empowered to exercise general supervision over the State system of education, including all Iowa local community school districts, merged area schools, area education agencies and other local agencies and non-public schools, to the extent necessary to ascertain compliance with Iowa school laws. In fulfilling the responsibilities assigned to it by law, the Department provides and strives to improve programs and support services necessary to meet the identified state and federal educational needs of Iowa, efficiently and effectively.

Mosiman recommended the Department implement procedures to strengthen controls, segregate various duties and develop policies and procedures over various aspects of its IT systems. The Department should also ensure contracts and related amendments are properly approved and comply with policies and procedures established by the Code of Iowa and the Iowa Department of Administrative Services. The Department's responses to the recommendations are included in the report.

A copy of the report is available for review in the Iowa Department of Education, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/1560-2820-BR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF EDUCATION**

**JUNE 30, 2014**

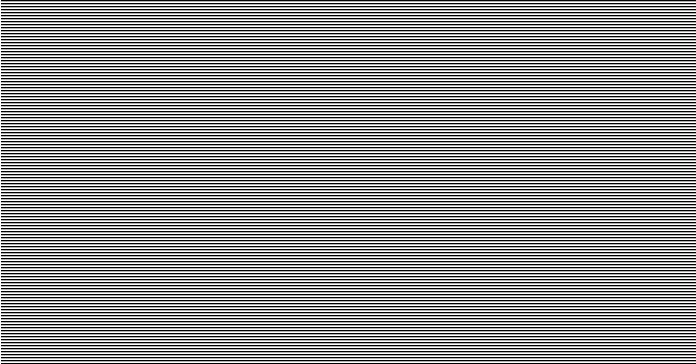
Office of

**AUDITOR  
OF STATE**

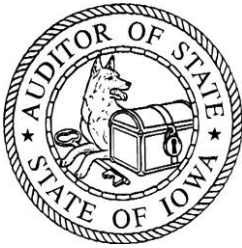
State Capitol Building • Des Moines, Iowa



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July 16, 2015

To the Members of the State  
Board of Education:

The Iowa Department of Education 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, 2014.

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 Education'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 Education, citizens of the State of Iowa and other parties to whom the Iowa Department of Education 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 10 and they are available to discuss these matters with you.

Handwritten signature of Mary Mosiman in cursive.

MARY MOSIMAN, CPA  
Auditor of State

Handwritten signature of Warren G. Jenkins in cursive.

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, 2014

**Findings Reported in the State's Single Audit Report:**

**CFDA Number: 84.027 – Special Education Grants to States**  
**Agency Number: H027A110097, H027A120097, H027A130136**  
**Federal Award Year: 2012, 2013, 2014**

**CFDA Number: 84.173 – Special Education Preschool Grants**  
**Agency Number: H173A110102, H173A120102**  
**Federal Award Year: 2012, 2013**

**State of Iowa Single Audit Report Comment: 14-III-USDE-282-1 (2014-003)**

- (1) Special Education Final Reports – Area Education Agencies (AEAs) are required to submit final reports to the Department as part of receiving Special Education funding. These reports should be reviewed for both financial and program compliance, which is completed by two different individuals.

The review and approval process, including those performed during the year ended June 30, 2014, is documented through an email server, which went down in August 2014. While agency personnel assert they performed the appropriate review and approvals, the documentation was lost with no backup copy. For 20 of 26 Special Education final reports tested, there was no documentation of financial and program review and approval.

Recommendation – The Department should establish procedures to ensure documentation of the review and approval process is maintained.

Response and Corrective Action Planned – The Department will comply with this requirement.

Conclusion – Response accepted.

**CFDA Number: 84.027 – Special Education Grants to States**  
**Agency Number: H027A110097, H027A120097, H027A130136**  
**Federal Award Year: 2012, 2013, 2014**

**CFDA Number: 84.173 – Special Education Preschool Grants**  
**Agency Number: H173A110102, H173A120102**  
**Federal Award Year: 2012, 2013**

**State of Iowa Single Audit Report Comment: 14-III-USDE-282-2 (2014-004)**

- (2) Grant Allocations – Annual allocation spreadsheets for Special Education grants are prepared and reviewed by the Department to ensure the amount allocated to each AEA is properly calculated. For fiscal year 2014, there was no documentation a review of the allocation spreadsheet was performed by an independent person.

Recommendation – The Department should ensure independent review of the allocation spreadsheet is performed and documented.

Response and Corrective Action Planned – The Department will comply with this requirement.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2014

**CFDA Number: 84.367 – Improving Teacher Quality State Grants**

**Agency Number: S367A120014, S367A130014**

**Federal Award Year: 2013, 2014**

**State of Iowa Single Audit Report Comment: 14-III-USDE-282-3 (2014-005)**

- (3) Subrecipient Monitoring - Award Notification – OMB Circular A-133, Section .400(d), requires the Department to provide certain award information to its subrecipients. This information includes the CFDA title and number, the award name and number, the award year, the name of the federal agency, the award amount and any applicable compliance requirements. For fiscal year 2014 awards, the Department did not provide the required award information to its subrecipients.

Recommendation – The Department should ensure its subrecipients are notified of the required information each year.

Response and Corrective Action Planned – The Department agrees. This was corrected in the fiscal year 2015 grant award letters. We will continue to provide this information moving forward.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2014

**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. Twenty-five individuals within the Department 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 – We certainly understand the concern and the rationale behind the recommendation. In practical terms, this will be very difficult for us to implement due to staffing levels. We have developed a process where no one person can put all levels of approval on anything in HRIS. We believe this process gets us to the same result as the above recommendation.

Conclusion – Response accepted.



June 30, 2014

**Other Findings Related to Internal Control:**

- (1) Contractual Agreements – Under the authority of Executive Order #25, the Department established a number of service contracts with outside parties during the year ended June 30, 2014. For 51 contracts tested, the following were identified:
  - (a) The Department did not approve seven contracts prior to the date of execution.
  - (b) Ten contracts did not include required monitoring and review clauses.
  - (c) One contract did not have a pre-contract questionnaire signed by the Deputy Director of the Department’s Division of School Finance and Support Services.
  - (d) Of the eleven contracts tested with amendments, six contract amendments were not authorized until after the end of the contract period.

In addition to the items noted above, contracts for amounts greater than \$500,000 were tested and the following were identified:

- (a) The forms required by Chapter 8F of the Code of Iowa were not completed for three contracts.
- (b) The Department does not require the recipient to file an annual report within ten months following the end of the recipient’s fiscal year in accordance with Chapter 8F.4(1 and 2) of the Code of Iowa.

Recommendation – The Department should ensure contracts and related amendments are properly approved, required forms and reports are completed or received and comply with the policies and procedures for contracts established by the Iowa Department of Administrative Services (DAS) and Chapter 8F of the Code of Iowa.

Response – Portions of these processes are difficult to control, but the Department agrees – it is always the goal of the Department to address these issues correctly and Department processes are designed to ensure these issues don’t occur. The Department will comply with these recommendations. The Department does now require recipients of contract for amounts greater than \$500,000 to file an annual report within ten months following the end of the fiscal year.

Conclusion – Response accepted.

- (2) Written Policies and Procedures – Formal policies and procedures help to achieve uniformity/consistency in actions taken and aid in training additional or replacement personnel. During our review of the EDINFO web application and IT system controls, we noted a need for written policies and procedures in the following areas:
  - Incident response procedures, including reporting, documenting, follow-up and management oversight.
  - Access control procedures related to authorizing, granting, documenting and removing access to the web application.
  - Documentation of actions taken for employee security violations.

Report of Recommendations to the Iowa Department of Education

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- Employee background checks.
- Guidance related to the segregation of incompatible duties and management oversight.
- Management oversight of access to and modification of sensitive or critical files and direct updates to the SQL tables.
- Maintaining security upon termination of employment, including the removal of employee access rights to the system, the process for returning keys and the removal of key card access.
- Resetting administrative passwords and password strength.
- Uniform systems development for new programs or changes to existing programs.

Recommendation – The Department should develop written policies and procedures to strengthen security and controls in these areas.

Response – The Department will comply with this recommendation and has hired a project manager in the IT area to ensure these and other written policies and procedures are completed.

Conclusion – Response accepted.

- (3) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. An initial receipt listing is not prepared by the mail opener for bus inspections and Law Library receipts. An independent reconciliation of recorded receipts to the deposit is not performed for bus inspections and State Library receipts. In addition, there is no review of overdue or delinquent accounts for bus inspections.

Recommendation – The Department should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The Department did review its operating procedures on these issues and found existing processes are functioning well. This level of redundancy is not possible with the existing personnel resources.

Conclusion – Response acknowledged. The Department should work to improve segregation of duties within the bus inspections, State Library and Law Library receipts.

Report of Recommendations to the Iowa Department of Education

June 30, 2014

**Findings Related to Statutory Requirements and Other Matters:**

Code of Iowa Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2014:

- (a) Chapter 19B.11 of the Code of Iowa requires each school district, area education agency and community college to submit a report to the Department detailing their equal employment opportunity programs and accomplishments. The Department is then required to prepare a compilation of these reports and submit it, along with a report of the Director's programs and accomplishments, to the Department of Management by January 31. This report has not been compiled or submitted.
- (b) Chapter 17A.7 of the Code of Iowa requires the Department to conduct an ongoing and comprehensive review of all the Agency's rules every 5 years, which the Department has not performed.
- (c) Chapter 256I.4 of the Code of Iowa requires the Department to submit an annual report each January to the Governor and the General Assembly regarding the Early Childhood Iowa Initiative. This report was not submitted by January 31 for fiscal year 2014.

Recommendation – The Department should take steps to ensure compliance with the Code of Iowa.

Response – Chapter 19B.11 of the Code of Iowa is a Code chapter related to the Department of Management, not the Iowa Department of Education. The Iowa Department of Education has not had an indication from the Department of Management this is a report they are compiling and submitting. When the Department receives notice from the Department of Management they want us to comply with the Code section, we will.

We understand the requirements of Chapter 17A.7. This process is resource intensive and we simply did not get this work done the past year. Unless something changes in terms of resources, this comprehensive review will likely not occur this year either. Given the way law changes, it is unlikely that any chapter of administrative code is untouched for more than five years.

The report cited in item "c" was completed, just not by January 31. We are well aware of our deadlines and always work to meet them.

Conclusion – Response regarding Chapter 19B.11 of the Code of Iowa acknowledged. Chapter 19B.11(4) of the Code of Iowa states, "The director of the department of education shall prepare a compilation of the reports required under subsection 3 and shall submit this compilation, together with a report of the director's accomplishments and programs pursuant to this section, to the department of management by January 31 of each year." Therefore, the Department of Education is required by the Code of Iowa to prepare this report and should not need a request from the Department of Management to initiate its preparation.

Response regarding Chapter 17A.7 of the Code of Iowa acknowledged. The Department should take steps to ensure compliance with the Code of Iowa.

Response regarding Chapter 256I.4 of the Code of Iowa is accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2014

**Staff:**

Questions or requests for further assistance should be directed to:

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