



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

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NEWS RELEASE

FOR RELEASE

August 21, 2017

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released a report on the Iowa Department of Public Health for the year ended June 30, 2016.

The Department exercises general supervision over public health programs, promotes health and sanitation, carries out specific responsibilities required by law and administers state and federal laws related to public health and vital records. The Department also exercises administrative authority over the medical, dental, pharmacy and nursing boards.

Mosiman recommended the Department improve controls over the cash management and subrecipient monitoring over federal programs. The Department responded corrective action is being implemented.

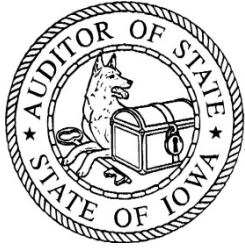
A copy of the report is available for review in the Iowa Department of Public Health, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1760-5880-BR00>.

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

JUNE 30, 2016

Iowa Department of Public Health



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

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August 3, 2017


To Gerd Clabaugh, Director of the Iowa Department of Public Health:

The Iowa Department of Public Health 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, 2016.

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 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 Health'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 Health, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Health 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 12 and they are available to discuss these matters with you.


MARY MOSIMAN, CPA
Auditor of State

cc: Honorable Kim Reynolds, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2016

Findings Reported in the State's Single Audit Report:

**CFDA Number: 10.557 – Special Supplemental Nutrition Program for Women, Infants,
and Children**

**Agency Number: 2015IW100343, 2015IW100643, 201616W100343,
201616W100643**

Federal Award Year: 2015, 2016

Prior Year Single Audit Report Finding Number: N/A

**State of Iowa Single Audit Report Comment: 16-III-USDA-588-1
(2016-001)**

(1) Cash Management

Criteria – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of state and other federal funds used to supplant programs until federal funds are received.

Condition – A review of the Department's records identified one instance where cash balances were in excess of \$200,000 for 151 days.

Cause – Although procedures have been established to draw federal funds in amounts sufficient to cover current needs, procedures were not followed.

Effect – Failure to follow procedures resulted in Department employees not detecting the error in the normal course of performing their assigned duties.

Recommendation – The Department should implement procedures to ensure federal funds are drawn down in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – The Department is reviewing the records and will continue to investigate the cause for the excessive cash balance which was created during the grant closeout. Proper correcting entries will be made to resolve the excess balance by April 1, 2017.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2016

**CFDA Number: 10.557 – Special Supplemental Nutrition Program for Women, Infants,
and Children**

Agency Number: 201515W100343, 201515W100643

Federal Award Year: 2015

Prior Year Single Audit Report Finding Number: N/A

**State of Iowa Single Audit Report Comment: 16-III-USDA-588-2
(2016-002)**

(2) Subrecipient Monitoring

Criteria – The Uniform Guidance, Part 200.331(d)(1) requires the Department be responsible for monitoring the activities of its subrecipients, as necessary, to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. Pass-through entity monitoring of subrecipients must include a review of required financial reports.

The Department has established policies and procedures for obtaining and performing desk reviews of subrecipient audit reports.

Condition – Of the 81 required desk reviews, 34 were not completed. In addition, 4 of the 20 desk reviews tested were not completed timely.

Cause – Although procedures have been established to complete the required desk reviews, procedures were not followed.

Effect – The lack of completed desk reviews could lead to the Department not identifying and following up on potential subrecipient audit findings in a timely manner.

Recommendation – The Department should implement procedures to ensure required desk reviews are completed in a timely manner.

Response and Corrective Action Planned – The Department has a written procedure for performing desk reviews of its subrecipient audit reports. Due to several key staff vacancies in the Finance Bureau, the desk reviews were not completed in a timely manner. The Department has reviewed the written procedure with key staff to ensure compliance with subrecipient monitoring processes.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2016

CFDA Number: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse

Agency Number: 3B08TIO10016-15S1, 3B08TIO10016-16S1

Federal Award Year: 2015, 2016

Prior Year Single Audit Report Finding Number: N/A

**State of Iowa Single Audit Report Comment: 16-III-HHS-588-2
(2016-006)**

(3) Cash Management

Criteria – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of state and other federal funds used to supplant programs until federal funds are received.

Condition – A review of the Department’s records identified three instances where cash balances were in excess of \$200,000 for seven to twenty-four days.

Cause – Although procedures have been established to draw federal funds in amounts sufficient to cover current needs, procedures were not followed.

Effect – Failure to follow procedures resulted in Department employees not detecting the error in the normal course of performing their assigned duties.

Recommendation – The Department should implement procedures to ensure federal funds are drawn down in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – The Department has reviewed the instances resulting in cash balances in excess of \$200,000. The Accountant II position primarily responsible for cash management procedures was vacant for approximately six months during the period instances were noted. This critical vacancy resulted in delays in document processing time and contributed to the instances of excessive cash balances. Cash management procedures have been reviewed by appropriate staff to ensure compliance.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2016

CFDA Number: 93.959 – Block Grants for Prevention and Treatment of Substance Abuse

Agency Number: 3B08TIO10016-15S1

Federal Award Year: 2015

Prior Year Single Audit Report Finding Number: N/A

**State of Iowa Single Audit Report Comment: 16-III-HHS-588-3
(2016-007)**

(4) Subrecipient Monitoring

Criteria – The Uniform Guidance, Part 200.331(d)(1) requires the Department be responsible for monitoring the activities of its subrecipients, as necessary, to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward. Pass-through entity monitoring of subrecipients must include a review of required financial reports.

The Department has established policies and procedures for obtaining and performing desk reviews of subrecipient audit reports.

Condition – Of the 81 required desk reviews, 34 were not completed. In addition, 4 of the 20 desk reviews tested were not completed timely.

Cause – Although procedures have been established to complete the required desk reviews, procedures were not followed.

Effect – The lack of completed desk reviews could lead to the Department not identifying and following up on potential subrecipient audit findings in a timely manner.

Recommendation – The Department should implement procedures to ensure required desk reviews are completed in a timely manner.

Response and Corrective Action Planned – The Department has a written procedure for performing desk reviews of its subrecipient audit reports. Due to several key staff vacancies in the Finance Bureau, the desk reviews were not completed in a timely manner. The Department has reviewed the written procedure with key staff to ensure compliance with subrecipient monitoring processes.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2016

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

No matters were noted

Other Findings Related to Internal Control:

(1) Capital Assets

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the State's financial statements.

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.

Condition – The Department did not perform a timely reconciliation of capital asset additions to I/3 expenditures. Therefore, eight capital asset additions were not properly capitalized by the Department.

Cause – Policies have not been established and procedures have not been implemented to require a timely reconciliation of capital asset additions to I/3 expenditures and an independent review of capital asset additions to ensure they are properly capitalized.

Effect – Lack of policies and procedures resulted in Department employees not detecting the errors in the normal course of performing their assigned functions. These assets were subsequently added and properly adjusted for reporting purposes.

Recommendation – The Department should develop written procedures to ensure a detailed, up-to-date capital asset listing is maintained. Procedures should include, but not be limited to, ensuring all capital asset additions are reconciled to I/3 asset purchases. The reconciliation should also be reviewed by a person independent of the record keeping process. The independent reviewer should sign and date the reconciliation as evidence of review. In addition, the Department should ensure capital assets are capitalized in the correct amounts.

Response – The Department has a written procedure for annual equipment inventory which includes processes for maintaining an accurate asset listing and reconciliation of new capital assets to I/3 purchases. Due to several key staff vacancies in the Finance Bureau and other priority financial deadlines, the reconciliation process was not completed in a timely manner. The Department will review the written procedure with key staff to ensure compliance with the inventory of assets and reconciliation process and timeframes.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2016

(2) Cash Management

Criteria – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of state and other federal funds used to supplant programs until federal funds are received.

Condition – A review of the Department’s records identified two instances where cash balances were in excess of \$50,000 for eight to thirteen days for the Maternal, Infant and Early Childhood Home Visiting program (MIECHV).

Cause – Although procedures have been established to draw federal funds in amounts sufficient to cover current needs, procedures were not followed.

Effect – Failure to follow procedures resulted in Department employees not detecting the error in the normal course of performing their assigned duties.

Recommendation – The Department should implement procedures to ensure federal funds are drawn down in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response – The Department has reviewed the instances resulting in cash balances in excess of \$50,000. The Accountant II position primarily responsible for cash management procedures was vacant for approximately six months during the period instances were noted. This critical vacancy resulted in delays in document processing time and contributed to the instances of excessive cash balances. Cash management procedures have been reviewed by appropriate staff to ensure compliance.

Conclusion – Response accepted.

(3) GAAP Package

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the State’s financial statements.

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.

Condition – The Department understated receivables by \$179,840 on the GAAP package.

Cause – Although policies and procedures are in place to review GAAP package information, the review was not sufficient to identify the understatement of receivables.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2016

Effect – Department employees did not detect the error in the normal course of performing their assigned functions.

Recommendation – The Department should implement additional policies and procedures to ensure the GAAP package information is complete and accurate.

Response – The Department has a procedure for preparation and review of the GAAP package to prevent, or detect and correct, misstatements of the financial statements. Due to several key staff vacancies in the Finance Bureau and other priority financial deadlines, the reconciliation process was not completed in a timely manner. The Department will review the procedure with key staff to ensure accurate GAAP package information.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2016

Finding Related to Statutory Requirements and Other Matters:

Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2016:

Targeted Small Business Procurement Goal – Chapter 73.16 of the Code of Iowa requires the Director of each state agency or department of state government (state agency) having purchasing authority, in cooperation with the Targeted Small Business (TSB) Marketing and Compliance Manager of the Iowa Economic Development Authority (IEDA), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal shall include the procurement of goods and services, including construction, but excluding utility services. The goal shall be stated in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

The TSB procurement goal for the Department for fiscal year 2016 was not set at a level exceeding the fiscal year 2015 actual TSB spending.

Recommendation – The Department should take the necessary steps to comply with the Code of Iowa or seek legislation to change this statutory requirement.

Response – The Department will establish TSB spending goals at a level exceeding the procurement level from targeted small businesses during the previous fiscal year in compliance with Chapter 73.16 of the Code of Iowa.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2016

Staff:

Questions or requests for further assistance should be directed to:

Tammy A. Hollingsworth, CIA, Manager
Anthony Heibult, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Sarah Swisher, Staff Auditor
Mark Newhall, Staff Auditor
Ian Judson, Assistant Auditor