



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

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**NEWS RELEASE**

FOR RELEASE September 27, 2017

Contact: Andy Nielsen  
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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, 2016.

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 strengthen internal controls over information systems. Also, the ICN should develop additional written procedures and follow established procedures to ensure a detailed, up-to-date capital asset listing is maintained and properly reported for financial statement purposes. 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 <https://auditor.iowa.gov/reports/1760-3360-0R00>.

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

**JUNE 30, 2016**

**Iowa Communications Network**



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August 31, 2017

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 audit of the State's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016.

In conducting our audit, 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 Report on Internal Control, as well as other recommendations pertaining to the ICN's internal control and compliance with statutory requirements and other matters. 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 audit. 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 audit of the ICN are listed on page 6 and they are available to discuss these matters with you.

*Mary Mosiman*  
MARY MOSIMAN, CPA  
Auditor of State

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

June 30, 2016

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

No matters were noted.

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

Condition – The Iowa Communications Network (ICN) did not disclose its lessor arrangements in the GAAP package. As a result, the footnote disclosure for lessor operating leases understated future rentals on operating leases by \$2,169,259.

Cause – Although policies and procedures have been established to require an independent review of the GAAP package, the review did not identify the GAAP package was not complete.

Effect – Lack of detection of the GAAP package error by ICN's independent review procedures resulted in an incomplete footnote disclosure.

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

Response – The ICN will implement procedures to ensure the GAAP package is reviewed independently by qualified individuals before submission to the GAAP Team.

Conclusion – Response accepted.

**Other Findings Related to Internal Control:**

- (1) 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 – All of the ICN systems are now set to require recommended password structures and change intervals.

Conclusion – Response accepted.

- (2) 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. During fiscal year 2016 site visits, fifty-one of the hundred and fifty-one capital assets tested for could not be located at the site indicated on the capital asset listing. In addition, one asset was found on site, but the capital asset listing did not indicate the asset was located at the site. Also, through testing performed at central office we were unable to verify the location for two of thirteen assets at remote locations. The capital asset had either been relocated to a different site or had been disposed of entirely.

Report of Recommendations to the Iowa Communications Network

June 30, 2016

Recommendation – The Department should develop additional written procedures and follow established procedures to ensure a detailed, up-to-date capital asset listing is maintained and properly reported for financial statement purposes. Procedures should include, but not be limited to, a review of the Department’s tracking system to ensure the capital asset listing is up-to-date.

Response – The ICN will continue to follow internal, written procedures to maintain records of capital assets including timely review of our asset system.

Conclusion – Response accepted.

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

Iowa Code Compliance – 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 ICN for fiscal year 2016 was not set at a level exceeding the fiscal year 2015 actual TSB spending.

Recommendation – The ICN should establish a dollar amount procurement level exceeding the previous fiscal year certified targeted small businesses procurement level as required or seek legislation to change this statutory requirement.

Response – The ICN will comply with this requirement but has communicated the difficulty in achieving the goal when the previous fiscal year included one-time, extraordinary spending.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Communications Network

June 30, 2016

**Staff:**

Questions or requests for further assistance should be directed to:

Deborah J. Moser, CPA, Manager  
Karen L. Brustkern, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Alex W. Case, Staff Auditor  
David A. Cook, Staff Auditor  
Marcus B. Johnson, Staff Auditor  
Erin J. Sietstra, Staff Auditor  
Libby C. Lamfers, Assistant Auditor