



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 12, 2005

Contact: Andy Nielsen  
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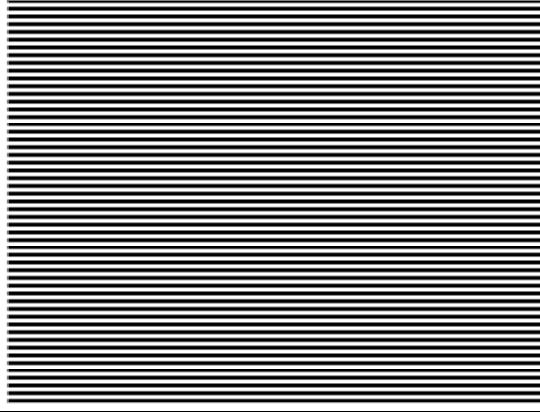
Auditor of State David A. Vaudt today released a report on the Iowa Department of Education for the year ended June 30, 2004.

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.

Vaudt recommended the Department develop procedures to ensure contracts are reviewed for reasonableness, are cost effective and services contracted for are provided in accordance with the contract. In addition, the Department should develop and implement procedures for monitoring the Improving Teacher Quality State Grants. The Department responded favorably to the recommendations.

A copy of the report is available for review in the Iowa Department of Education or the Office of Auditor of State.

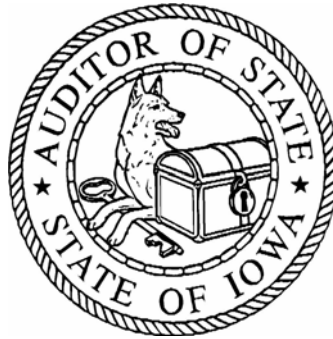
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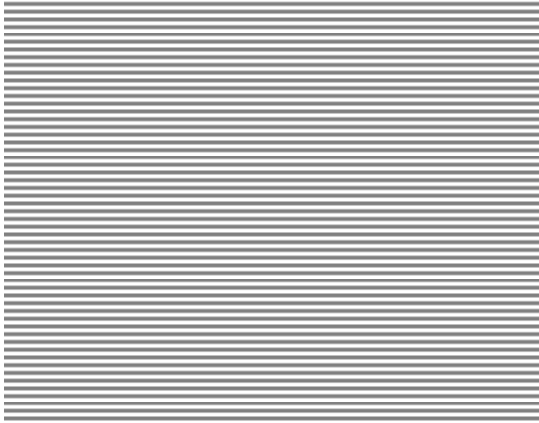
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF EDUCATION**

**JUNE 30, 2004**

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



**David A. Vaudt, CPA**  
**Auditor of State**







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June 27, 2005

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, 2004.

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 within the State's Single Audit Report, as well as other recommendations pertaining to the Department's internal control, 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.

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 8 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor  
Michael L. Tramontina, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the Iowa Department of Education

June 30, 2004

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

**CFDA Number: 10.555 – National School Lunch Program**

**Agency Number: 2003IN109943, 2004IN109943**

**Federal Award Year: 2003, 2004**

**State of Iowa Single Audit Report Comment: 04-III-USDA-282-2**

Timely Submission – Federal requirements state the Department must submit the Food and Nutrition Service (FNS) 10 report with 30 and 90 days following the month of the sponsor's claim. The 90 day reports for May and June 2004 were submitted late.

Recommendation – The Department should ensure the reports are submitted timely.

Response and Corrective Action Planned – Late submission of the May and June 90 day reports was due to a change in the web-based system. The new web-based system is fully operational and submission of the FNS 10 will be completed within the required timeframe. Due dates for the reports are kept by the Accounting Technician III and a computerized reminder has been implemented to ensure timely submission of the reports.

Conclusion – Response accepted.

**CFDA Number: 10.559 – Summer Food Service Program for Children**

**Agency Number: 2003IN109943, 2004IN109943**

**Federal Award Year: 2003, 2004**

**State of Iowa Single Audit Report Comment: 04-III-USDA-282-3**

Timely Submission/Evidence of Review – Federal requirements state the Department must submit the Food and Nutrition Service (FNS) 418 report with 30 and 90 days following the month of the sponsor's claim. The 30 day report for August 2004 and the 90 day reports for the months of June through August 2004, which cover the expenditure of fiscal year 2004 funds, were not submitted timely.

The FNS 418 reports should have evidence of review. The reviewer did not sign the FNS 418 reports filed in fiscal year 2004.

Recommendation – The Department should ensure the reports are submitted timely and Departmental review is evidenced on the report.

Response and Corrective Action Planned – Late submission of the 30 day report for August was due to selected School Fund Summer Program audits not being completed in a timely manner. Audits must be completed prior to the August reimbursement being paid for selected sponsors. The FNS 418 was held until all sponsors were reimbursed. All School Food Summer Program sponsors are on the Simplified Summer Food Program for 2005 so the Bureau will no longer be required to conduct audits of the expenditures incurred for selected School Food Summer Program sponsors. The Bureau also agrees the 90 day reports for the months of June through August were not submitted timely. Due dates are posted in the Accountant II office and a computerized reminder has been implemented to ensure timely submission of the reports. The lead consultant will review and initial all FNS 418 reports.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2004

**CFDA Number: 84.010 – Title I Grants to Local Educational Agencies**

**Agency Number: S013A030015**

**Federal Award Year: 2003**

**State of Iowa Single Audit Report Comment: 04-III-USDE-282-1**

Allocation Approval – The Department allocates Title I funds to each Community School District (CSD) based on a formula using a per pupil amount. Department procedures for the program require an independent employee review the allocation calculation. Evidence of the review could not be obtained.

Recommendation – The Department should ensure the review process is performed and documented to ensure allocations are properly calculated.

Response and Corrective Action Planned – Beginning with the 2004 Federal Award year (state fiscal year ended June 30, 2005), the Title I Administrative Consultant will be responsible for the review of the allocation calculations for each community school district. The review will be documented with a signature and date.

Conclusion – Response accepted.

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

**Agency Number: S367A030014**

**Federal Award Year: 2003**

**State of Iowa Single Audit Report Comment: 04-III-USDE-282-6**

Subrecipient Monitoring – OMB Circular A-133 requires a pass-through entity to be responsible for monitoring the activities of the subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of the contract or grant.

Recommendation – The Department should perform on-site visits. In addition, the Department should establish written procedures on how findings will be documented and how the Department will follow-up to determine if corrective action was taken.

Response and Corrective Action Planned – The Department agrees with the auditor's recommendation. Written procedures have been established to address the procedures for application program communication, compliance monitoring, and site visits. The procedures include the process for documenting findings and follow-up on corrective action plans.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2004

**Findings Related to Internal Control:**

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, 2004. For 53 contracts tested, the following items were identified:

- (a) The Department did not approve 28 contracts prior to the date of execution.
- (b) Iowa Department of Administrative Service's Accounting Policy and Procedures Manual, section 240.102, states a sole source selection may be used if the contractor is the "most qualified or eligible to perform the service" or the contractor "by virtue of experience, expertise, or proximity to the project, could most satisfactorily provide the service/product." For the 25 contracts tested indicating sole source, 5 did not appear to qualify under either of the stated criteria.
- (c) For the three contracts requiring a pre-contract questionnaire, no questionnaire was completed.
- (d) Six contracts appeared to require a Request for Proposal (RFP) for which no RFP process was initiated.

Recommendation – The Department should develop procedures to ensure contracts are reviewed for reasonableness, are cost effective and services contracted for are provided in accordance with the contract. The Department should also ensure contracts are properly approved and comply with the policies and procedures for contracts established by the Iowa Department of Administrative Services.

Response – The Department acknowledges the auditor's comments. The Department has implemented and published procedures addressing the current requirements for service contracting. Those procedures have been reviewed with all staff and are published on the Department's network. The Department's contract team continues to work to identify areas of improvement and to develop and refine the Department's procedures so all state policies are addressed. The Department will work through the management team to address specific areas of noncompliance and to determine solutions that each work unit can implement to resolve timeliness issues and compliance with required documentation.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2004

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

Code Compliance – Chapter 256.23 of the Code of Iowa requires the Department to establish a recruitment and advancement program to provide for the allocation of grants to school corporations. The Department has not established this program.

Recommendation – The Department should implement procedures to ensure compliance with the Code of Iowa.

Response – Chapter 256.23, Code of Iowa was established by the legislature but no funding for the purposes of this section has been appropriated. Until funds are appropriated to carry out the mandates of this section, the Department is unable to comply with the statute.

Conclusion – Response acknowledged. The Department should take the necessary action to obtain funding or seek to have the requirement removed from the Code of Iowa.



Report of Recommendations to the Iowa Department of Education

June 30, 2004

**Staff:**

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager  
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Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Kathleen S. Caggiano, Senior Auditor  
Ryan J. Johnson, CPA, Staff Auditor  
Sarah D. McFadden, CPA, Staff Auditor  
Karen L. Kibbe, Assistant Auditor  
Cheryl R. McNaught, CPA, Assistant Auditor