



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

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**NEWS RELEASE**

FOR RELEASE July 15, 2005

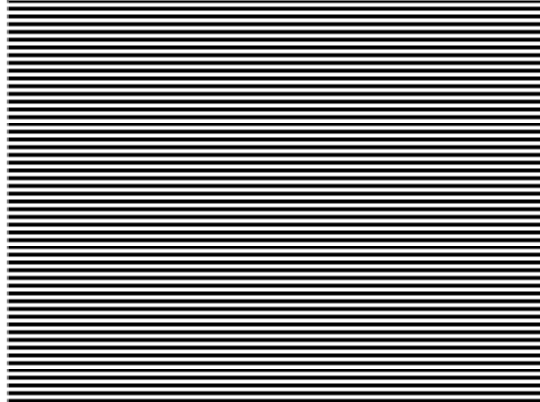
Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Public Defense for the year ended June 30, 2004.

The Iowa Department of Public Defense is composed of the Military Division and the Homeland Security and Emergency Management Division. The main responsibilities of the Military Division are to protect the citizens of the state, recruit and train military personnel and maintain the National Guard armories throughout the state. The Homeland Security and Emergency Management Division is responsible for disaster preparedness and relief coordination throughout the state.

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

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

**JUNE 30, 2004**

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



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July 7, 2005

To Major General Ron Dardis, Adjutant General  
of the Iowa Department of Public Defense:

The Iowa Department of Public Defense is 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 in the State's Single Audit Report, as well as recommendations pertaining to the Department's internal control. 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 Public Defense, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Defense 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 11 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

June 30, 2004

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

**CFDA Number: 12.401 – National Guard Military Operations and Maintenance  
(O&M) Projects**

**Master Cooperative Agreement: DAHA13-04-2-1000**

**Federal Award Year: 2004**

**Iowa Department of Public Defense – Military Division**

**State of Iowa Single Audit Report Comment: 04-III-DOD-582-1**

- (1) Request for Reimbursement – The Master Cooperative Agreement for the National Guard Military Operations and Maintenance Projects states for those states on a reimbursement basis, as Iowa is, the states shall expend the funds prior to requesting reimbursement from the federal government. For four reimbursements tested, the state funds were not expended prior to the request for reimbursement from the federal government.

Recommendation – The Department should ensure state funds are being spent prior to requesting reimbursement from the federal government in accordance with the Master Cooperative Agreement. If it is not feasible for the state to expend funds prior to requesting federal reimbursement due to the large dollar amount of the expenditures, the state should work with the United States Property and Fiscal Office (USPFO) to begin receiving federal funds on an advance basis.

Response and Corrective Action Planned – Discussions are in process with USPFO to work out the details of switching to an advance method for payment. Accounting processes must be changed on both sides. We are striving to have an advance method in place for federal fiscal year 2006.

Conclusion – Response accepted.

**CFDA Number: 12.401 – National Guard Military Operations and Maintenance  
(O&M) Projects**

**Master Cooperative Agreement: DAHA13-04-2-1000**

**Federal Award Year: 2004**

**Iowa Department of Public Defense – Military Division**

**State of Iowa Single Audit Report Comment: 04-III-DOD-582-2**

- (2) Construction Contracts – Chapter 8A.311 of the Code of Iowa requires when the estimated total cost of construction, erection, demolition, alteration or repair of a public improvement exceeds \$25,000, the Department shall solicit bids on the proposed improvement by publishing an advertisement in a print format. The advertisement shall appear in two publications in a newspaper published in the county in which the work is to be done. For two of seven improvements tested, the Department did not publish an advertisement to solicit bids.

Recommendation – The Department should implement procedures to ensure an advertisement to solicit bids is published for all improvements over \$25,000.

Response and Corrective Action Planned – The Division is making every effort to adhere to the Code of Iowa by publishing the required solicitations for bids. Funding that comes at the end of the federal fiscal year requires construction projects to be put on a fast track. At

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times the projects must be bid and awarded in less than thirty days. The Division will try to develop procedures where anticipated projects are announced in a publication in anticipation of the receipt of federal funds to ensure Chapter 8A.311 requirements are met.

Conclusion – Response accepted.

**CFDA Number: 12.401 – National Guard Military Operations and Maintenance  
(O&M) Projects**

**Master Cooperative Agreement: DAHA13-04-2-1000**

**Federal Award Year: 2004**

**Iowa Department of Public Defense – Military Division**

**State of Iowa Single Audit Report Comment: 04-III-DOD-582-3**

- (3) Purchasing – Chapter 29A.57 of the Code of Iowa establishes and grants the Armory Board responsibility for contracting armory and other facility construction, repair of an act of God damages, alterations and additions to real property, facilities operation and maintenance and grounds maintenance. Armory Board procedures require the Purchasing Officer to obtain three telephone, fax or written quotes for purchases greater than \$500 but less than \$2,500. For four items tested, only one or two telephone, fax or written quotes were obtained.

Recommendation – The Department should develop procedures to ensure three telephone, fax or written quotes are obtained for all purchases greater than \$500 but less than \$2,500.

Response and Corrective Action Planned – The “Purchasing and Contracting Policies and Procedures” of the Armory Board were updated in August 2004. Section 4.b now states all purchases totaling \$5,000 or more will be subject to a competitive bid process, which shall consist of obtaining a minimum of three bids/quotes. For items under \$5,000 only one bid/quote need be obtained unless purchasing personnel believe the original quote does not appear to be reasonable.

Conclusion – Response accepted.

**CFDA Number: 97.004 – State Domestic Preparedness Equipment Support Program**

**Agency Number: 58924/65555/66591/66898**

**Federal Award Year: 2003**

**Iowa Department of Public Defense – Homeland Security and Emergency  
Management Division**

**State of Iowa Single Audit Report Comment: 04-III-DHS-583-1**

- (4) Program Progress Reports – Program progress reports are due within 30 days after the end of the reporting periods, which are June 30 and December 31. The Department submitted the program progress report nine days late for the reporting period ended December 31, 2003.

Recommendation – The Department should develop procedures to ensure program progress reports are submitted timely.

Response – The Department has implemented a grant matrix and tracking system which will help ensure program progress reports are submitted in a timely manner.

Conclusion – Response accepted.

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**CFDA Number: 97.004 – State Domestic Preparedness Equipment Support Program**  
**Agency Number: 58924/65555/66591/66898**  
**Federal Award Year: 2003**  
**Iowa Department of Public Defense – Homeland Security and Emergency**  
**Management Division**

**State of Iowa Single Audit Report Comment: 04-III-DHS-583-2**

- (5) Financial Status Reports (Standard Form 269A) – Quarterly financial status reports are due within 45 days after the end of each quarter. The quarterly financial status reports are used to report the recipient and federal share of expenditures. For the quarter ended December 31, 2003, the Department reported revenues received from the U.S. Department of Homeland Security in December 2003, January 2004 and February 2004 rather than the Iowa Department of Public Defense – Homeland Security and Emergency Management Division expenditures for October, November, and December 2003.

Recommendation – The Department should implement procedures to ensure the expenditures for the applicable period are reported on the quarterly financial status reports.

Response – These reports are part of the new grant matrix and tracking procedures that were implemented. The Department is also in the process of implementing a new financial management system which will ensure the timely submission of accurate quarterly financial status reports.

Conclusion – Response accepted.

**CFDA Number: 97.004 – State Domestic Preparedness Equipment Support Program**  
**Agency Number: 58924/65555/66591/66898**  
**Federal Award Year: 2003**  
**Iowa Department of Public Defense – Homeland Security and Emergency**  
**Management Division**

**State of Iowa Single Audit Report Comment: 04-III-DHS-583-3**

- (6) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. As stated in the Cash Management Improvement Act (CMIA) Agreement, the State Domestic Preparedness Equipment Support program is funded on a cash advance basis. This means federal draws are not to be deposited more than three days prior to the date of disbursement.

In addition, effective cash management procedures also minimize the amount of state funds that must be used to operate the program until the federal funds are received.

As part of its cash management procedures, the Homeland Security and Emergency Management Division accumulates reimbursable costs for each federal program on a spreadsheet. These spreadsheets are to support requests for reimbursement for federal programs and are attached to a summary spreadsheet or cash receipt.

A review of the Department's ledgers and cash management system identified the following:

- (a) In eight instances, the Department drew funds, but the corresponding disbursements were not made until five to thirteen working days later. The draw amounts ranged from \$2,680 to \$403,692.

Report of Recommendations to the Iowa Department of Public Defense

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- (b) In two instances, funds were inadvertently drawn twice and, as of June 30, 2004, had not been returned. The draw amounts ranged from \$454 to \$17,400.
- (c) In three instances, the Department drew more funds than were documented on the spreadsheets used to support requests for reimbursement for federal programs.
- (d) In thirteen instances, the Department could not locate a summary spreadsheet or cash receipt with supporting spreadsheets attached. Therefore, the Department did not have supporting documentation for these federal draws. The draw amounts ranged from \$2,475 to \$1,623,494.
- (e) Three instances were noted where the cash balance was in excess of \$100,000 for a period of five to ninety-six days.

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

Response – The Department, through the use of a new financial management system, will have automated draw request ability. This will ensure funds are drawn for accumulated expenses and will have proper support generated by the system, instead of handwritten records used in the past. These steps will help ensure proper cash management in relation to the CMIA agreement.

Conclusion – Response accepted.

**CFDA Number: 97.004 – State Domestic Preparedness Equipment Support Program**  
**Agency Number: 58924/65555/66591/66898**  
**Federal Award Year: 2003**  
**Iowa Department of Public Defense – Homeland Security and Emergency**  
**Management Division**

**State of Iowa Single Audit Report Comment: 04-III-DHS-583-4**

- (7) Award Allocation – The Department allocates State Domestic Preparedness Equipment Support Program funds to Counties based on a formula. Department procedures require an independent employee to 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 – The Department has instituted procedures to ensure the allocation calculations will be verified. Supervisory review will be documented on the original copy which will be kept in a permanent grant file.

Conclusion – Response accepted.



Report of Recommendations to the Iowa Department of Public Defense

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**CFDA Number: 97.004 – State Domestic Preparedness Equipment Support Program**  
**Agency Number: 58924/65555/66591/66898**  
**Federal Award Year: 2003**  
**Iowa Department of Public Defense – Homeland Security and Emergency Management**  
**Division**

**State of Iowa Single Audit Report Comment: 04-III-DHS-583-5**

(8) Applications – The Department required an application for each phase of State Domestic Preparedness Equipment Support Program funding from each participating County. To be eligible for the second phase of funding, County applications were to be postmarked no later than August 1, 2003. For three of fifteen Counties tested, the Department was unable to provide documentation of the application postmark date.

Recommendation – The Department should implement procedures to ensure all application documentation is maintained for each participating County.

Response – The Department has implemented procedures to ensure all documents received in the Department are properly noted to accurately reflect the date of receipt or the postmark date. All documentation received will be kept with the application.

Conclusion – Response accepted.

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**Findings Related to Internal Control:**

- (1) Cash Receipts – The Homeland Security and Emergency Management Division accumulates reimbursable costs for each federal program on a spreadsheet. These spreadsheets are to support requests for reimbursement for federal programs. These spreadsheets could not be located for nine transactions tested.

Recommendation – The Homeland Security and Emergency Management Division should ensure supporting documentation is maintained for all cash receipts.

Response – The Division has developed and is implementing procedures that will ensure supporting documentation is maintained for all cash receipts.

Conclusion – Response accepted.

- (2) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department and division of state government to maintain an accurate, up-to-date inventory of all real and personal property belonging to the state and under their charge, control and management.

For the Military Division, two of twenty assets tested for existence were not properly tagged. In addition, neither asset had a tag number noted on the asset listing.

The Homeland Security and Emergency Management Division did not perform a reconciliation of capital asset additions per the capital asset record to the total capital expenditures for the year.

Recommendation – The Department should ensure a detailed, up-to-date capital asset record is maintained. This includes ensuring capital asset additions are reconciled to capital expenditures and all assets are properly tagged, with the tag number noted on the asset listing.

Response –

Military Division – The Division agrees a detailed up-to-date inventory of all real and personal property belonging to the state needs to be maintained. To comply with Chapter 7A.30 of the Code of Iowa requirements, we will work to ensure that policies and procedures are followed to keep our capital asset listing complete and to have all assets properly tagged.

Emergency Management and Homeland Security Division – The Division is now, and will continue, monthly reconciliation of capital asset records to capital expenditures.

Conclusion – Responses accepted.

- (3) GAAP Package – The GAAP package is prepared by the Department and submitted to the Department of Administrative Services, State Accounting Enterprise. The GAAP package provides additional financial information that cannot be obtained from the State's Accounting System (I/3). The Homeland Security and Emergency Management Division portion of the GAAP package was not completed timely and the Military Division portion of the GAAP package had not been reviewed by Department management.

Recommendation – The GAAP package should be completed timely and reviewed by appropriate management prior to submission.

Response –

Homeland Security and Emergency Management Division – We will strive to submit a complete GAAP package in a timely manner.

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Military Division – The 2004 GAAP package was reviewed and approved by management via electronic mail prior to submission to State Accounting Enterprise; however, a hard copy of the approval was not saved. In the future, Department of Public Defense will maintain a written review/approval form that has been signed by management.

Conclusion – Responses accepted.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2004

Staff:

Questions or requests for further assistance should be directed to:

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Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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Trevor L. Theulen, Staff Auditor  
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