



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0006

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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE November 7, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released a report on the Iowa Department of Workforce Development for the year ended June 30, 2018.

The Iowa Department of Workforce Development is comprised of seven divisions: Worker's Compensation, Labor Services, Administrative Services, Unemployment, Information Technology, Workforce Services and Communications and Labor Market. The Department is responsible for administration of the statutes and regulations relating to unemployment compensation insurance, job placement and training, employment safety, labor standards and workers' compensation.

Sand recommended the Department develop procedures to:

- (1) Establish policies and procedures to ensure compliance with Uniform Guidance requirements for subrecipient monitoring.
- (2) Improve controls over cash management.
- (3) Ensure supporting documentation for reporting is properly retained and the reports are submitted timely.
- (4) Ensure quarterly reports are reviewed and approved by an independent person.
- (5) Communicate the established policies and procedures to all employers to ensure employees are reporting actual hours worked on each program code rather than budgeted.
- (6) Ensure all required information per the Uniform Guidance is included in the subaward document to subrecipients.
- (7) Ensure information generated for financial reporting purposes is properly tested and reviewed for accuracy.
- (8) Ensure capital assets are tagged and capital asset deletions are approved prior to deletion.
- (9) Identify sensitive positions and ensure background investigations are routinely performed as part of the hiring process.
- (10) Ensure compliance with the Department of Administrative Services Purchasing Card Program Procedures Manual and Chapter 117.15 of the Iowa Administrative Code.
- (11) Ensure necessary steps are taken to comply with the Code of Iowa or continue to seek the repeal of outdated Code sections.

The report also includes the Department's responses to the recommendations.

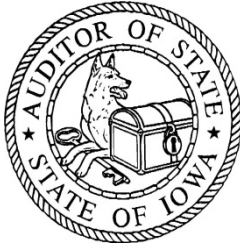
A copy of the report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF WORKFORCE DEVELOPMENT**

JUNE 30, 2018

Iowa Department of Workforce Development



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

September 30, 2019

Iowa Department of Workforce Development
Des Moines, Iowa

To Beth Townsend, Director of the Iowa Department of Workforce Development:

I am pleased to submit to you the financial and compliance audit report for the Iowa Department of Workforce Development for the year ended June 30, 2018. The report includes findings pertaining to the Department's internal control and compliance which resulted from the fiscal year 2018 audit.

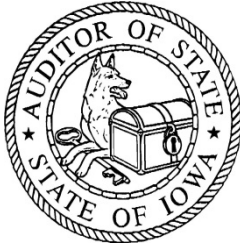
I appreciate the cooperation and courtesy extended by the officials and employees of Iowa Department of Workforce Development throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized with a large "R" and "S".

Rob Sand
Auditor of State

Iowa Department of Workforce Development



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STATE OF IOWA

Rob Sand
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Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

September 30, 2019

To Beth Townsend, Director of the Iowa Department of Workforce Development:

The Iowa Department of Workforce Development 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, 2018.

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, 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 Workforce Development'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 Department, citizens of the State of Iowa and other parties to whom the Department 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 16 and they are available to discuss these matters with you.

A handwritten signature in black ink that reads "Marlys K. Gaston".

Marlys K. Gaston, CPA
Deputy Auditor of State

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

June 30, 2018

Finding Reported in the State's Single Audit Report:

CFDA Number: 17.277 – WIOA National Dislocated Worker Grants/WIA National Emergency Grants

Agency Number: DW297881IO, EM274321IO, EM274325WO

Federal Award Year: 2016, 2017

CFDA Number: WIOA CLUSTER

Agency Number: AA267791EO, AA267791GO, AA26779YQO, AA26779YSO, AA26779YUO, AA283163MO, AA283163OO, AA283163QO, AA283165SO, AA283165UO, AA309377ZO, AA309377Z1, AA309377ZO, AA309378KO, AA309378K1, AA309378QO, AA309378Q1, AA30937AC0, AA30937AEO

Federal Award Year: 2015, 2016, 2017, 2018

State of Iowa Single Audit Report Comment: 2018-001

Subrecipient Monitoring

Criteria – The Code of Federal Regulations, 20 CFR 683.410(b), outlines the State's roles and responsibilities for monitoring and oversight. The regulations require, in part, "The State monitoring system must: Provide for annual on-site monitoring reviews of local areas' compliance with 2 CFR Part 200, as required by section 184(a)(3) of the Workforce Innovation and Opportunity Act (WIOA); Ensure that established policies to achieve program performance and outcomes meet the objectives of WIOA and the WIOA regulations." The regulations further require, "The State must conduct an annual on-site monitoring review of each local area's compliance with 2 CFR Part 200 as required by section 187(a)(4) of WIOA." In addition, the State must require prompt corrective action be taken if any substantial violation of standards is found.

In addition, the Uniform Guidance, Part 200.331 states, "All pass-through entities must: Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Passthrough entity monitoring of the subrecipient must include; Reviewing financial and performance reports required by the pass-through entity. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, onsite reviews, and other means.

Condition – Although the Department performed financial monitoring visits of subrecipients, the Department did not perform monitoring visits to ensure subrecipients were achieving program performance and outcomes which meet the objectives of WIOA and the WIOA regulations. The financial monitoring visits do not determine whether the subaward is used in compliance with Federal Statutes, regulations and the terms and conditions of the subaward or that performance goals are achieved.

Cause – The Department has not established policies and procedures for program monitoring which are in compliance with the Workforce Innovation and Opportunity Act. The Department has been in the process of establishing policies and procedures, however, policies and procedures have not been finalized. Because policies and procedures have not been established, the Department did not perform monitoring of program performance and outcomes of subrecipients.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2018

Effect – The Department is not in compliance with subrecipient monitoring as required by 20 CFR 683.410(b) and the Uniform Guidance, Part 200.331.

Recommendation – The Department should establish policies and procedures to ensure compliance with 20 CFR 683.410(b) and the Uniform Guidance, Part 200.331. Annual on-site visits to all local areas should be performed to ensure the programs are properly monitored.

Response and Corrective Action Planned – Draft policies and procedures have been developed to comply with 20 CFR 683.410(b) and the Uniform Guidance, Part 200.331. In cooperation with the U.S. Department of Labor, the Department will begin comprehensive WIOA program monitoring as soon as the realignment of local workforce development areas is complete. On-site monitoring visits will be performed annually, beginning in the summer of 2020.

Conclusion – Response acknowledged. Annual on-site visits should be performed as required by 20 CFR 683.410(b).

CFDA Number: 17.225 – Unemployment Insurance

Agency Number: REEDMOD09, UI26391SZ0, UI278583K1, UI279763K0, UI279763K1, UI298417W0, UI298967I0, UI298967J0, UI302177W0, UI31293EZ0, UI31342BS0, UI31342BT0, UI31517EZ0

Federal Award Year: 2014, 2016, 2017, 20018

State of Iowa Single Audit Report Comment: 2018-002

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. Generally, a maximum of three days is considered an acceptable amount of time between the receipt of federal funds and the disbursement of those funds.

Condition – A review of the Department's records identified two instances where excessive cash balances were held for seven to twenty-one 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 – Cash management procedures will be reviewed by appropriate staff to ensure federal funds are only drawn in the amount sufficient to cover current needs.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2018

CFDA Number: 17.225 – Unemployment Insurance

**Agency Number: REEDMOD09, UI26391SZ0, UI278583K1, UI279763K0, UI279763K1,
UI298417W0, UI298967I0, UI298967J0, UI302177W0, UI31293EZ0,
UI31342BS0, UI31342BT0, UI31517EZ0**

Federal Award Year: 2014, 2016, 2017, 20018

State of Iowa Single Audit Report Comment: 2018-003

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the auditee establish and maintain effective internal control over the federal award which provides reasonable assurance the auditee is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award. The ETA 227 report, “Overpayment Detection and Recovery Activities”, provides information on overpayments of intrastate and interstate claims under the regular state Unemployment Insurance (UI) program and under federal UI programs, including the Unemployment Compensation for Federal Employees (UCFE) and Unemployment Compensation for Ex-Service members (UCX) programs, established under Chapter 85, Title 5, U.S. Code. The report includes claims for regular, additional state programs and the permanent federal-state Extended Benefits (EB) programs. Data is provided for the establishment of overpayments, recoveries of overpayments, criminal and civil actions involving overpayments obtained fraudulently and an aging schedule of outstanding benefit overpayment accounts. The UI Reports Handbook No. 401 requires the report to be submitted quarterly on the first day of the second month after the end of the quarter.

Condition – Supporting documentation for the quarterly reports was not retained. Three reports submitted were not reviewed and approved by an independent person for propriety prior to submission.

Cause – Department procedures have not been established to retain supporting documentation for the data fields in the report. The person who prepared the reports is no longer employed by the Department and the information used to prepare the report could not be located. In addition, Department procedures have not been established to require documentation the reports were independently reviewed and approved.

Effect – The lack of supporting documentation and a documented review of these reports increases the risk for undetected reporting errors or misstatements.

Recommendation – The Department should establish policies and procedures to ensure reports are supported and the support for the preparation of the report is retained. The policies established should also ensure the quarterly reports are reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer’s signature or initials and date of review prior to submission.

Response and Corrective Action Planned – Procedures have been established for transmitting the ETA 227 report. Included in the procedures are where to retain the supporting data file and review of the report by the Chief Operating Officer prior to final transmission. The report must be returned with a signature and date prior to finalization.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2018

CFDA Number: 17.225 – Unemployment Insurance

**Agency Number: REEDMOD09, UI26391SZ0, UI278583K1, UI279763K0, UI279763K1,
UI298417W0, UI298967I0, UI298967J0, UI302177W0, UI31293EZ0,
UI31342BS0, UI31342BT0, UI31517EZ0**

Federal Award Year: 2014, 2016, 2017, 20018

State of Iowa Single Audit Report Comment: 2018-004

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the auditee establish and maintain effective internal control over the federal award which provides reasonable assurance the auditee is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award. The ETA 581 report, “Contributions Operations”, provides information on the volume of work and state agency performance in determining the taxable status of employers and the processing of wage items, the collection of past due contributions and payments in lieu of contributions, delinquent reports and audit activity. The data provides measures of the effectiveness of the tax program. UI Reports Handbook No. 401 requires the report to be submitted electronically for each calendar quarter to the Employment and Training Administration of the U.S. Department of Labor on the 20th day of the second month following the quarter to which it relates.

Condition – The Department has stated the reports were reviewed and approved; however, this review was not documented. In addition, two of the four quarterly reports were submitted between 16 and 60 days late.

Cause – Department procedures have not been established to require documentation the reports are independently reviewed and approved and to ensure reports are submitted timely.

Effect – The lack of a documented review of these reports increases the risk for undetected reporting errors or misstatements. In addition, the lack of established policies and procedures resulted in the late submission of quarterly reports.

Recommendation – The Department should establish policies and procedures to ensure reports are submitted timely in accordance with UI Reports Handbook. The policies established should also ensure the quarterly reports are reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer’s signature and date of review prior to submission.

Response and Corrective Action Planned – A policy and procedure has been established. Included in the procedure is a requirement to submit the report to the Division Administrator to be reviewed and approved. Once approved the Division Administrator must physically sign and date and return to the Bureau Chief for submission.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2018

CFDA Number: 17.225 – Unemployment Insurance

**Agency Number: REEDMOD09, UI26391SZ0, UI278583K1, UI279763K0, UI279763K1,
UI298417W0, UI298967I0, UI298967J0, UI302177W0, UI31293EZ0,
UI31342BS0, UI31342BT0, UI31517EZ0**

Federal Award Year: 2014, 2016, 2017, 20018

State of Iowa Single Audit Report Comment: 2018-005

Trade Act Participant Report (TAPR)

Criteria – The Uniform Guidance, Part 200.303, requires the auditee establish and maintain effective internal control over the federal award which provides reasonable assurance the auditee is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award. The TAPR provides a streamlined data collection on the Trade Adjustment Assistance (TAA) program activities and outcomes into a single streamlined reporting structure. The report captures information related to TAA applicants, including TAA participants who receive benefits and services across the program with a standardized set of data elements which includes information on participant demographics, types of services received and performance outcomes. The TAPR is intended to track information on TAA activity on a “real time” basis for individuals from the point of TAA eligibility determination through post-participation outcomes. As required by Training and Employment Guidance Letter No. 6-09, quarterly reports are to be submitted no later than 45 days after the end of each report quarter.

Condition – The Department has stated the reports were reviewed and approved, however, this review was not documented for three reports submitted.

Cause – Department procedures have not been established to require documentation the reports were independently reviewed and approved.

Effect – The lack of a documented review of these reports increases the risk for undetected reporting errors or misstatements.

Recommendation – The Department should establish policies and procedures to ensure the quarterly reports are reviewed and approved by an independent person who is knowledgeable about the program. This independent review should be documented by the reviewer’s signature or initials and date of review prior to submission.

Response and Corrective Action Planned – The Department will receive the TAPR file and will ensure an independent review of the trade-related data elements is completed prior to submission. This review will be completed by a knowledgeable, independent person by pulling a random sample of participants and reviewing the correct time frames and data elements are included in the file. After review, the independent reviewer will initial and date a printed copy of the random sample as evidence of the review.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2018

CFDA Number: 17.225 – Unemployment Insurance

Agency Number: REEDMOD09, UI26391SZ0, UI278583K1, UI279763K0, UI279763K1, UI298417W0, UI298967I0, UI298967J0, UI302177W0, UI31293EZ0, UI31342BS0, UI31342BT0, UI31517EZ0

Federal Award Year: 2014, 2016, 2017, 20018

CFDA Number: 17.277 – WIOA National Dislocated Worker Grants/WIA National Emergency Grants

Agency Number: DW297881I0, EM274321I0, EM274325W0

Federal Award Year: 2016, 2017

CFDA Number: WIOA CLUSTER

Agency Number: AA267791E0, AA267791G0, AA26779YQ0, AA26779YS0, AA26779YU0, AA283163M0, AA283163O0, AA283163Q0, AA283165S0, AA283165U0, AA309377Z0, AA309377Z1, AA309377Z0, AA309378K0, AA309378K1, AA309378Q0, AA309378Q1, AA30937AC0, AA30937AE0

Federal Award Year: 2015, 2016, 2017, 2018

State of Iowa Single Audit Report Comment: 2018-006

Payroll Distribution

Criteria – The Uniform Guidance, Part 200.430(i), states “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.” This section goes on to state, these records must “Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.” The section also states “Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that: The system for establishing the estimates produces reasonable approximations of the activity actually performed; significant changes in the corresponding work activity (as defined by the non-Federal entity’s written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the long term; and the non-Federal entity’s system of internal controls includes processes to review after-the-fact interim charges made to Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.”

Condition – The Department uses budget estimates to establish interim rates to allocate payroll costs to be used for Department budgeting and to provide employees with an estimate of time which is expected of them for their assigned programs. The Department has informed employees they are to be reporting the actual time worked on each program code which associates with a specific Federal, non-Federal, indirect or cost allocation program. Thirty-two employees who charged time to more than one program code for the fourth quarter of the fiscal year were selected for testing. Of the thirty-two employees tested, seven employees did not deviate their hours from the original budget estimate. In addition, eleven employees reported the exact same number of hours for each program code for every pay period.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2018

Cause – Although the Department has established policies and procedures to require employees to document actual hours worked on program codes, not all employees appear to be reporting actual hours worked to the affected programs. In addition, the Department has not effectively communicated these policies and procedures to all employees.

Effect – Payroll costs could be charged to the incorrect program code which could result in allocating costs incorrectly to all programs, including the federal programs.

Recommendation – The Department should communicate the established policies and procedures to all employees to ensure employees are reporting actual hours worked on each program code rather than budgeted hours. Time records should be reviewed to ensure employees are complying with established policies and procedures.

Response and Corrective Action Planned – The Department will communicate to employees that actual hours worked on each program code should be reported each pay period. The Department will contact supervisors of employees who appear to be using the same program code allocation percentage, each pay period, to determine if actual hours were used. The Department will also review quarterly payroll variance reports for employees who appear to not be changing their time records.

Conclusion – Response accepted.

CFDA Number: 17.277 – WIOA National Dislocated Worker Grants/WIA National Emergency Grants

Agency Number: DW297881IO, EM274321IO, EM274325W0

Federal Award Year: 2016, 2017

CFDA Number: WIOA CLUSTER

Agency Number: AA267791E0, AA267791G0, AA26779YQ0, AA26779YS0, AA26779YU0, AA283163M0, AA283163O0, AA283163Q0, AA283165S0, AA283165U0, AA309377Z0, AA309377Z1, AA309377Z0, AA309378K0, AA309378K1, AA309378Q0, AA309378Q1, AA30937AC0, AA30937AE0

Federal Award Year: 2015, 2016, 2017, 2018

State of Iowa Single Audit Report Comment: 2018-007

Awards to Subrecipients

Criteria – The Uniform Guidance, Part 200.331 states, “All pass-through entities must ensure every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.” Required information includes, in part, Federal Award Date and Total Amount of the Federal Award.

Condition – The Department did not include the Federal Award Date or the Total Amount of the Federal Award in the subaward to the subrecipients.

Cause – The Department has not established policies and procedures to ensure all required information is included in the subaward to the subrecipients.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2018

Effect – The information required in the subaward to subrecipients was not included due to the lack of policies and procedures.

Recommendation – The Department should establish policies and procedures to ensure all required information is included in the subaward to subrecipients as required by Uniform Guidance, Part 200.331.

Response and Corrective Action Planned – The Department will implement procedures to be certain all subawards are compliant with the Uniform Guidance, Part 200.331 requirements. All future subawards, or modifications to current subawards, will have the required language inserted into the agreement.

Conclusion – Response accepted.

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

Unemployment Benefits Fund

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 financial statements.

Condition – To comply with governmental accounting and financial reporting standards for the Unemployment Benefits Fund, the Iowa Department of Workforce Development (IWD) has developed the MYIOWAUI system to track employer unemployment insurance contributions based on quarterly employer payroll reports. The system generates information regarding the balance of employer contributions receivable and delinquent accounts, including penalty and interest calculations, for financial reporting purposes. This activity is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The following were noted for the year ended June 30, 2018:

- (1) IWD overstated accounts receivable by \$7,336,008 and understated the allowance for doubtful accounts by \$20,832,721 on the GAAP package Unemployment Benefits Fund page. As a result, the net accounts receivable balance was overstated by \$28,168,729. This was properly adjusted for reporting purposes.
- (2) IWD overstated accounts payable by \$396,937 on the GAAP package Unemployment Benefits Fund page. This was properly adjusted for reporting purposes.
- (3) According to IWD, an account goes to non-collectible status when the most recent debt creation date on the account is older than 720 days and the last payment was not received within 90 days. These accounts should be written off for reporting purposes and not be included in the balance reported in the GAAP package. During testing, \$336,427 of \$24,991,319 of contributions, \$268,630 of \$13,481,576 of interest and \$116,783 of \$1,433,098 of penalties older than 720 days were included in the accounts receivable balance reported in the GAAP package.

Cause – Although policies and procedures have been established to require independent review of year-end cut-off transactions to ensure financial statements are accurate and reliable, the review did not identify material errors made in the GAAP package by the preparer.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2018

Effect – IWD employees did not detect the errors in the normal course of performing their assigned functions. As a result, material adjustments to the financial statements were necessary.

Recommendation – IWD should ensure financial information generated for the GAAP package is properly reviewed for accuracy. IWD should continue to modify the MYIOWAUI system to ensure the data is accurate, timely and conforms to established policy.

Response – For numbers (1) and (2), IWD will require additional supporting documentation and add a second level of review of reconciling pages to ensure numbers are accurate on the Unemployment Benefits Fund page in the GAAP package. For number (3), the discrepancy is caused from the comparison of the Employer Accounts Receivable created from the MYIOWAUI system and the Non-Collection List. The problem lies where uncollected debt is never removed from the MYIOWAUI system so uncollected debt older than 720 days appears on this report but is removed from the Non-Collection List. The reason the debt is not taken out of the MYIOWAUI system is because there are times we consider the debt uncollectible; however, we do receive payment on this at a later date. If there is no way to correct this in the system a comparison between the two reports will need to be done before the accountant completes this portion of the GAAP package and then back those accounts which appear older than 720 days out of the calculation.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

- (1) Background Investigations – The Department hires employees for various positions, including positions which are sensitive in nature, such as information technology staff, individuals with access to cash, etc. Background investigations are not routinely done as part of the hiring process.

Recommendation – The Department should develop procedures to identify sensitive positions and ensure background investigations are routinely performed as part of the hiring process for those positions.

Response – The Department is working with the Department of Administrative Services to identify uniform guidance for all state agencies in regards to when background checks should occur.

Conclusion – Response accepted.

- (2) Capital Assets – 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.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2018

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. The following were noted:

- (a) Eight of eight fiscal year 2018 capital assets additions observed did not have a State of Iowa property tag affixed to it and the capital asset listing did not include enough information to identify the individual capital asset for observation.
- (b) Approval for deletions was done after the end of the fiscal year.

Recommendation – The Department should develop procedures to ensure a detailed up-to-date capital asset listing is maintained for all assets with enough information to identify the capital assets. Procedures should include, but not be limited to, ensuring all capital assets deletions are approved timely and prior to deletion and all assets are properly tagged.

Response

- (a) IWD continues to remind staff of the policies regarding the tagging of equipment once tags have been provided by Financial Management.
- (b) IWD will continue to work with staff regarding proper communication with Financial Management on the disposal of property to ensure we are notified at the time of disposal and not at the time of physical inventory.

Conclusion – Response accepted.

- (3) Purchasing Cards – The purchasing card (Pcard) is a Visa credit card issued by a bank to the State of Iowa. The purpose of the Pcard program is to establish a faster, more cost-effective method for purchasing and payment. The Department of Administrative Services (DAS) implemented policies and procedures governing the program.

The DAS Purchasing Card policy requires a cardholder to be an employee of the State of Iowa who is designated by their supervisor and approved by the Agency Administrator to utilize the Purchasing Card to purchase supplies and/or goods. The cardholder is subject to single transaction limitations and a monthly limit. Each purchase must be supported by a receipt or other supporting documentation. Cardholders may only hold one card. A card without the cardholder's signature in the signature block is an invalid card.

For the twenty purchasing card transactions tested, the following were identified:

- (a) Two payments contained "Purchase Request" documents prepared and approved after the purchase transaction occurred.
- (b) Two payments contained "Purchase Request" documents prepared but there was no evidence of supervisor approval.
- (c) One payment was made after the statement due date.

Recommendation – The Department should develop procedures to ensure compliance with the Iowa Department of Administrative Services Purchasing Card Program Procedures Manual. In addition, purchase request forms should be prepared and approved prior to the actual purchase.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2018

Response

- (a/b) The Department will review and approve the purchase requests for purchasing cards monthly and identify users who are not approving purchases before they have occurred. These users will be trained on the proper policies and procedures to be utilized to be sure the practice is not continued into the future.
- (c) The Department will review procedures to ensure compliance with payment due dates.

Conclusion – Response accepted.

June 30, 2018

Findings Related to Statutory Requirements and Other Matters:

- (1) Travel – Chapter 41.6(3)(a) of the Iowa Administrative Code states, “Lodging and meal expenses are not limited outside the state, but the incurred expenditures are to be reasonable.”

One payment was made for hotel accommodations for an employee while attending a conference in Orlando, Florida at \$493 per night. While the out-of-state travel was properly approved by the Workforce Development Director, the per night rate may not appear reasonable when considering rates of hotels near the conference location.

Recommendation – The Department should establish policies and procedures to ensure out-of-state travel expenditures are reasonable. The policy should include providing comparable rates of hotels, to determine the reasonableness of the per night accommodation rate.

Response – The Department was in compliance with all out of state travel accounting policies and procedures as set forth the by the Department of Administrative Services. The Department will ensure hotel rates are reasonable by comparing the rates of other hotels in the vicinity of the out-of-state travel location.

Conclusion – Response accepted.

- (2) Iowa Code Compliance – The following were noted:

- (a) Iowa Conservation Corps – Chapter 84A.7 of the Code of Iowa establishes the Iowa conservation corps to provide meaningful and productive public service jobs for youth, unemployed persons, persons with disabilities, disadvantaged persons and elderly persons and to provide participants with an opportunity to explore careers, gain work experience and contribute to the general welfare of their communities and the state. The Department is to administer the Iowa conservation corps and its account.

This program and the account are currently inactive.

- (b) Statewide Mentoring Program – Chapter 84A.9 of the Code of Iowa states the Department shall establish and administer, in collaboration with the Departments of Human Services, Education and Human Rights, a statewide mentoring program to recruit, screen, train and match individuals in a mentoring relationship.

This program is currently inactive.

- (c) New Employment Opportunity Program – Chapter 84A.10 of the Code of Iowa states the Department shall implement and administer a new employment opportunity program to assist individuals in underutilized segments of Iowa’s workforce, including, but not limited to, persons with physical or mental disabilities, persons convicted of a crime or minority persons between the ages of 12 and 25, to gain and retain employment.

This program is currently inactive.

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- (d) Nursing Workforce Data Clearinghouse – Chapter 84A.11 of the Code of Iowa states the Department shall submit a report to the Governor and the General Assembly annually, by January 15, regarding the nursing workforce data clearinghouse, and, following establishment of the data clearinghouse, the status of the nursing workforce in Iowa.

The required report was not submitted to the Governor and the General Assembly.

Recommendation – The Department has previously requested the repeal of these outdated Code sections and should continue to work toward the repeal of these outdated Code sections. Also, the Department should submit the nursing workforce data clearinghouse report to the Governor and the General Assembly by January 15 of each year.

Response – IWD will continue to work with the Legislature to get outdated program legislation repealed. Funding for the nursing workforce data clearing house was never provided for by the Legislature and, therefore, the database could not be created, and reports generated.

Conclusion – Response accepted.

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Staff:

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