



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 22, 2021

Contact: Marlys Gaston
515/281-5834

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

The Department is responsible for planning, developing, regulating and improving the State of Iowa's transportation system to provide and preserve adequate, safe and efficient transportation services.

AUDIT FINDINGS:

Sand reported four findings related to the Department. The findings are on pages 3 through 5 of this report. Sand recommended the Department implement procedures to improve controls over service contracts, uniform purchases and motor carrier services adjustments. Sand also recommended the Department comply with the Targeted Small Business procurement requirements of Chapter 73.16 of the Code of Iowa.

Each of the findings discussed above are repeated from the prior year. Management of the Iowa Department of Transportation has a fiduciary responsibility to provide oversight of the Department's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" management exercises in its fiduciary capacity.

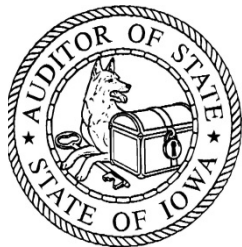
A copy of the report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

JUNE 30, 2018

Iowa Department of Transportation



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February 15, 2021

Iowa Department of Transportation
Ames, Iowa

Dear Members of the Iowa Department of Transportation:

I am pleased to submit to you this Report of Recommendations for the Iowa Department of Transportation for the year ended June 30, 2018. This report includes findings pertaining to the Department's internal control and compliance with statutory requirements and other matters which resulted from the fiscal year 2018 audit.

I appreciate the cooperation and courtesy extended by the officials and employees of the Iowa Department of Transportation 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 that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand
Auditor of State

Iowa Department of Transportation



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February 15, 2021

To Scott Marler, Director of the Iowa Department of Transportation:

The Iowa Department of Transportation 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) 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 findings pertaining to the Department's internal control and statutory compliance 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 Transportation'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 Transportation, citizens of the State of Iowa and other parties to whom the Iowa Department of Transportation 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 6 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
Michael Bousselot, Director, Department of Management
Timothy McDermott, Interim Director, Legislative Services Agency

June 30, 2018

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

Other Findings Related to Internal Control:

- (1) Purchase Card (P-card) Transactions – The Department utilizes p-cards for use by employees for Department business. Department policy requires, original receipts for all purchases and transactions should be properly recorded and be for a public purpose.

Certain transactions were coded incorrectly, certain transactions did not have proper support and the sales tax was improperly charged for one transaction.

Recommendation – The Department should ensure all purchases are properly recorded, have a documented public purpose and are properly supported. The Department should also ensure sales tax is not paid on purchases.

Response – The Department will provide additional training to ensure all purchases are properly recorded, supported, have a clear public purpose documented and not include sales tax.

Conclusion – Response accepted.

- (2) Motor Carrier Services Adjustments – The Department collects trip permit fees for oversize and overweight vehicles that drive along state owned interstate and US and Iowa highways. When an employee voids a trip permit, they fill out a status worksheet and describe why the trip permit is voided. For no charge adjustments, a description is not required.

Also, the Department prepares a report of all voided and no charge invoices and performs a monthly review of the voided and no charge adjustments however, there is no evidence of the review.

Recommendation – To strengthen controls, the Department should implement procedures to ensure explanations are required for all adjustments. Also, an independent person should review the voided and no charge adjustments report and document the review by signing or initialing and dating the report.

Response – The Department completed a work order in spring of 2017 to modify IAPS software to require comments on all “no charge” and voided permits. The work order was approved March 2018 and then the design and testing phases began. All changes to the software was implemented by the end of FY18.

The Department has also implemented independent review of voided and no charge adjustments reports as of Aug. 1, 2018.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2018

- (3) Original Supporting Documentation Retention – The Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) requires Departments to scan and upload original invoices in order to process payments. The DAS-SAE Electronic Content Management (ECM) manual requires Departments to maintain original documentation for one year beyond the fiscal year for which payment applies.

Certain invoices are scanned at Department field offices and the Department has notified those offices to retain original supporting documentation until the invoice is paid and do not require them to retain original supporting documentation for one year beyond the end of the fiscal year as required by DAS-SAE Electronic Content Management manual.

Additionally, the Department has not developed written policies and procedures to implement DAS-SAE invoice electronic content management.

Recommendation – The Department should establish written procedures to ensure original supporting documentation is retained as required by DAS-SAE.

Response – DAS-SAE sent out the following communication which updates the previous requirement: “Effective July 1, 2019, electronic supporting documentation, attached to all financial documents in I/3, is considered the official record for audit retention purposes. Supporting documentation is not required to be retained. To ensure the accuracy of payments, corrections and transfers, involved parties may choose to retain the supporting documentation.”

The Department acknowledges the rule stated above was in effect for fiscal year 2018. However, the Department will continue with its process of accepting supporting documentation in electronic format as it does not make sense to incur costs to administer a rule that has been subsequently repealed, particularly when existing internal controls have not indicated a need to do so

Conclusion – Response accepted.

June 30, 2018

Finding Related to Statutory Requirements and Other Matters:

Targeted Small Business – 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.

Also, State Agencies with an established TSB procurement goal are required to report the dollar amount of purchases from certified targeted small businesses to the TSB Marketing and Compliance Manager of the IEDA within 15 business days following the end of each calendar quarter.

The TSB procurement goal for the Department for fiscal year 2018 was not set at a level exceeding fiscal year 2017 actual TSB spending. Also, the Department did not provide all required quarterly reports to the TSB Marketing and Compliance Manager of the IEDA within 15 business days as required.

Recommendation – The Department should establish a dollar amount procurement level exceeding the previous fiscal year actual targeted small businesses procurements or seek Legislation to change this statutory requirement. Also, the Department should ensure quarterly reports are submitted to the TSB Marketing and Compliance Manager of the IEDA within 15 business days, as required.

Response – The Department increased its stated goal as directed and approved by Iowa Department of Economic Development Authority (IDEA). The Department will submit the reports on a quarterly basis and within the stated timelines.

The Department is a large participant in the Targeted Small Business program for the State of Iowa, reporting \$31.3 million in expenditures for fiscal year 2018, exceeding the stated goal of \$19.5 million. The Department has averaged over \$29 million in expenditures over the last 5 years. We will contact IDEA to discuss alternative language in establishing goals when entities participate with high expenditure levels.

Conclusion – Response acknowledged. The established goal was an increase over the prior year goal, not over the prior year actual targeted small business procurements, as required.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2018

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Director
Jenny R. Lawrence, Senior Auditor II
Marlys K. Gaston, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Nicholas J. Gassman, Senior Auditor
Matthew A. Miller, Staff Auditor
Ashley J. Moser, Senior Auditor
Jenna M. Paysen, Senior Auditor
Christopher M. Anderson, Staff Auditor
Coltin R. Collin, Staff Auditor
Elizabeth P. Dawson, Staff Auditor
Terry J. Erlbacher, Staff Auditor
Alexia M. Grgurich, Staff Auditor
Ian N. Judson, Staff Auditor
Elin M. Landgren, Staff Auditor
Taran E. McCusker, Staff Auditor
Malika Moutiq, Staff Auditor
Steven D. Rater, Staff Auditor
Edward J. Schroder, Staff Auditor
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Mark W. Hart, Assistant Auditor
Heather M. Poula, Assistant Auditor
Emeline Hanscel, Auditor Intern