



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE July 12, 2006

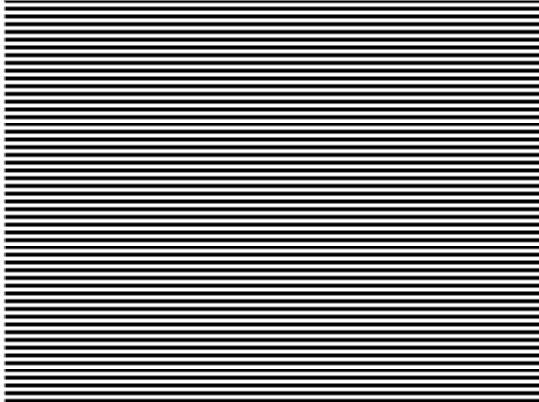
Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on the Office of Governor for the year ended June 30, 2005.

As Chief Administrator of the state, the Governor is responsible for the operation of the various state agencies and departments. In addition, principal officers of the state not elected by the people are appointed by the Governor subject to confirmation by the Senate. The Office of Governor also includes the Administrative Rules Coordinator who supervises, on behalf of the Governor, the administrative rules promulgation process.

A copy of the report is available for review in the Governor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

###



**REPORT OF RECOMMENDATIONS TO THE
OFFICE OF GOVERNOR**

JUNE 30, 2005

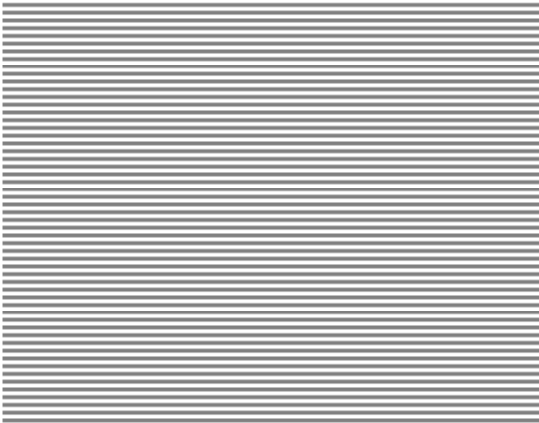
Office of

**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State





OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

July 7, 2006

To the Honorable Thomas J. Vilsack, Governor:

The Office of Governor 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, 2005.

In conducting our audit, we became aware of an aspect concerning the Office's operations for which we believe corrective action is necessary. As a result, we have developed a recommendation which is reported on pages 5 and 6. The recommendation pertains to the Office's compliance with statutory requirements and other matters. The recommendation has been discussed with Office personnel and their response to the recommendation is 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 Office of Governor, citizens of the State of Iowa and other parties to whom the Office of Governor 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 Office of Governor during the course of our audit. 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 audit of the Office of Governor are listed on page 7 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: Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Office of Governor

June 30, 2005

Findings Related to Internal Control:

No matters were noted.

Finding Related to Statutory Requirements and Other Matters:

Procurement Cards – Prior to January 2006, the Iowa Department of Administrative Services (DAS) implemented the Procurement Card Program. In January 2006, DAS revised the program and renamed it as the Purchasing Card Program. This comment is based on the Procurement Card Program.

The Procurement Card is a credit card issued by Commerce Bank to the State of Iowa. The purpose of the Procurement Card Program is to establish a faster, more cost-effective method for purchasing and payment. The DAS Procurement Card Policy requires informal bids for all non-State contract purchases between \$500 and \$2,500. Documentation of the informal bids is required to be included with support for the purchase.

DAS Procurement 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 Procurement 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 that does not have the cardholder's signature in the signature block is technically an invalid card.

DAS Procurement Card Policy requires an Administrator to be designated within the office for questions, issues and administration of the program. The Administrator should keep an active and historical listing of all procurement cards and limitations.

A review of the procurement card transactions included the following findings:

- (1) Three individual transactions where the purchase exceeded \$500 did not have evidence of informal bidding.
- (2) For one transaction tested, the cardholder was able to circumvent the transaction limit by having the vendor split the purchase into multiple transactions.
- (3) Three of ten purchases tested were not supported by an original invoice.

Recommendation –

- (1) The Office should comply with the procedures manual requirement for informal bids for non-State contract purchases between \$500 and \$2,500. The quotes should be documented and included with supporting documentation for the purchase. If it is not possible to obtain bids from three vendors, the reason should be documented and included with the supporting documentation.
- (2) The Office should make cardholders aware it is not allowable to split transactions. In addition, the Office should develop procedures as part of the monthly review of

Report of Recommendations to the Office of Governor

June 30, 2005

statements to identify when cardholders circumvent limits established on the cards. Violations should be subject to review and the Office should consider if it is appropriate to cancel the card.

- (3) All procurement card purchases should be supported by original detailed invoices/receipts or other supporting documentation.

Response – The Governor’s Office will name a procurement card administrator and the two individuals who use the card will review the procedures and the monthly bills. Purchases of between \$500 and \$2,500 will go through a bid process.

Conclusion – Response accepted.

Report of Recommendations to the Office of Governor

June 30, 2005

Staff:

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager
Tammy A. Wolterman, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Michael J. Hackett, Assistant Auditor
Dorothy A. Stover, Assistant Auditor