



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

October 7, 2024

Auditor of State Rob Sand today released a report on the Iowa Department of Workforce Development for the year ended June 30, 2023.

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.

AUDIT FINDINGS:

Sand reported twenty-six findings related to the Department. The findings are on pages 3 through 32 of this report. Sand recommended the Department comply with established policies and procedures to ensure reports are submitted timely, that quarterly reports are reviewed and approved by an independent person and information generated for financial reporting purposes is properly tested and reviewed for accuracy. Sand also recommended the Department establish policies and procedures to ensure cross-matches are performed to identify ineligible claims, to ensure compliance with Uniform Guidance requirements for subrecipient monitoring and subaward documents, identify sensitive positions and ensure background investigations are routinely performed as part of the hiring process, that capital asset deletions are approved prior to deletion, to ensure compliance with the Department of Administrative Services Purchasing Card Program Manual and comply with the Code of Iowa or continue to seek the repeal of outdated Code sections.

Twenty-three of the findings discussed above are repeated from the prior year. Management of the Iowa Department of Workforce Development 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 website at [Audit Reports – Auditor of State](#).

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

JUNE 30, 2023

Iowa Department of Workforce Development



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

August 27, 2024

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 this Report of Recommendations for the Iowa Department of Workforce Development for the year ended June 30, 2023. The report includes findings pertaining to the Department's internal control and compliance with statutory requirements and other matters which resulted from the fiscal year 2023 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".

Rob Sand
Auditor of State

Iowa Department of Workforce Development



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

August 27, 2024

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 Annual Comprehensive Financial Report (ACFR) and the State's Single Audit Report for the year ended June 30, 2023.

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 and 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 33 and they are available to discuss these matters with you.

A handwritten signature in black ink, appearing to read "Brian R. Brustkern".

Brian R. Brustkern., CPA
Deputy Auditor of State

cc: Honorable Kim Reynolds, Governor
Kraig Paulsen, Director, Department of Management
Timothy McDermott, Director, Legislative Services Agency

June 30, 2023

Findings Reported in the State's Single Audit Report:

U.S. Department of Labor

INTERNAL CONTROL DEFICIENCIES:

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI32599J20, UI34058T30, UI34058T90, UI34058U10, UI34058V70, UI340583I0, UI34496Y90, UI34496Y91, UI34715C80, UI34715CA0, UI34715MVO, UI34715Z50, UI34715CI0, UI34715KD0, UI34715NJO, UI34715Z70, UI34715MT0, UI34715Z30, UI34856CJ0, UI34856Z80, UI35648B60, UI35648DO0, UI35648JT0, UI35648JT1, UI35704B80, UI35704B90, UI35944JU0, UI37064KI0, UI37223PU0, UI37223PU1, UI38018PW0, UI37280MJ0, UI37280MK0, UI0347150148, UI380180102, UI38399MO0, UI34750146, UI34164U60, UI34164U50, UI39268RSO, UI39268RRO

Federal Award Year: 2019, 2020, 2021, 2022, 2023

Prior Year Single Audit Report Finding Number: 2022-001

Iowa Department of Workforce Development

2023-001

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.” 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.” Also, “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 a Federal award based on budget estimates. All necessary adjustments 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 report the actual time worked on each program code associated with a specific Federal, non-Federal, indirect, or cost allocation program.

Although the employees reported their actual time on assigned programs in the state time reporting system, corrective disbursement entries were not consistently prepared in the state accounting system to adjust the estimated time by program to the actual time as reported in the time reporting system.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Cause – The Department transitioned to a new payroll and time tracking system. A feature of the system was to allow for time entries to directly charge the respective grant or function within the accounting ledger. This feature was not consistently implemented into the payroll and time tracking system, as a result the Department established policies and procedures to require actual hours worked on program codes be assigned to their respective program codes in the state accounting system. Due to staff turnover, corrective entries were not performed for part of the fiscal year.

Effect – Payroll costs could be charged to the incorrect program code resulting in allocating costs incorrectly to all programs, including federal programs. The effect on individual programs is undeterminable.

Recommendation – The Department should review time reporting for all pay periods and determine if corrective disbursement entries are needed for all programs, including the federal programs. In addition, the Department should implement policies and procedures to ensure proper distribution of salaries and wages and these policies and procedures should be followed.

Response and Corrective Action Planned – The Department has implemented a payroll policy and procedure, that requires staff to enter a work reporting code for time worked and addresses timelines in which correcting entries must be completed. The Department will review all pay periods during the time frame to determine if corrective disbursement entries need to be made to properly allocate actual time reported to their respective program codes. The Department began the process in October 2023.

Conclusion – Response accepted.

June 30, 2023

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – Covid-19, Unemployment Insurance

Agency Number: REEDMOD09, UI32599J20, UI34058T30, UI34058T90, UI34058U10, UI34058V70, UI340583I0, UI34496Y90, UI34496Y91, UI34715C80, UI34715CA0, UI34715MV0, UI34715Z50, UI34715C10, UI34715KD0, UI34715NJO, UI34715Z70, UI34715MT0, UI34715Z30, UI34856CJO, UI34856Z80, UI35648B60, UI35648DO0, UI35648JT0, UI35648JT1, UI35704B80, UI35704B90, UI35944JU0, UI37064K10, UI37223PU0, UI37223PU1, UI38018PW0, UI37280MJ0, UI37280MK0, UI0347150148, UI380180102, UI38399MO0, UI34750146, UI34164U60, UI34164U50, UI39268RS0, UI39268RR0

Federal Award Year: 2019, 2020, 2021, 2022, 2023

Prior Year Single Audit Report Finding Number: 2022-002

Iowa Department of Workforce Development

2023-002

Allocable Costs

Criteria – The Uniform Guidance, Part 200.405(a), states “A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost: is incurred specifically for the Federal award; benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.” Uniform Guidance, Part 200.405(a) states, “Direct cost allocation principles: If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.”

Condition – The Department has established program codes to allocate costs to both Federal and non-Federal programs. The allocation of the expenditures charged to these program codes is based on a combination of square footage and actual time reported on Federal and non-Federal programs. The rates were not updated quarterly after December 14, 2021, for fiscal year ending June 30, 2023. Department policies require rates to be updated quarterly.

Cause – The Department transitioned to a new payroll system and policies and procedures to identify time reporting requirements for staff and report capabilities were not in place to properly allocate costs. In addition, due to staff turnover, staff were not available to review rates and compare allocated costs to time entries.

Effect – Allocable costs could be charged to the incorrect program code, resulting in allocating costs incorrectly to all programs, including federal programs. The effect on individual programs is undeterminable.

Recommendation – The Department should follow policies and procedures and review the allocable rates used during the period and determine if corrective disbursement entries are needed for all programs, including federal programs.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Response and Corrective Action Planned – The Department will review allocable rates during the time frame to determine if corrective disbursement entries are needed to their respective program codes. The Department began the process in October 2023. The Department will also revise, and update policies and procedures related to allocable costs based on time entries.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI32599J20, UI34058T30, UI34058T90, UI34058U10, UI34058V70, UI340583I0, UI34496Y90, UI34496Y91, UI34715C80, UI34715CA0, UI34715MV0, UI34715Z50, UI34715CI0, UI34715KD0, UI34715NJ0, UI34715Z70, UI34715MT0, UI34715Z30, UI34856CJ0, UI34856Z80, UI35648B60, UI35648DO0, UI35648JT0, UI35648JT1, UI35704B80, UI35704B90, UI35944JU0, UI37064KI0, UI37223PU0, UI37223PU1, UI38018PW0, UI37280MJ0, UI37280MK0, UI0347150148, UI380180102, UI38399MO0, UI34750146, UI34164U60, UI34164U50, UI39268RS0, UI39268RR0

Federal Award Year: 2019, 2020, 2021, 2022, 2023

Prior Year Single Audit Report Finding Number: 2022-003

Iowa Department of Workforce Development

2022-003

IRS 940 Match

Criteria – Uniform Guidance Compliance Supplement states, “States are required to annually certify for each taxpayer the total amount of contributions required to be paid under state law for the calendar year and the amounts and dates of such payments in order for the taxpayer to be allowed the credit against the FUTA (Federal Unemployment Tax Act) tax (26 CFR sections 31.3302(a)-3(a)). In order to accomplish this certification, states annually perform a match of employer tax payments with credit claimed for these payments on the employer’s IRS 940 FUTA tax form.”

The Internal Revenue Service (IRS) sends the Department a secure file typically in October of each year following the prior calendar year. Taxes received for calendar year ending December 31, 2021, were received in October 2022. IWD must certify and respond to each Federal Employer Identification Number even if there is no discrepancy.

The Department is also required to send back to the IRS the Federal Non-Filers file. This file lists all employers that filed with the state but did not file an IRS 940 FUTA tax form. Both the Certification file and the Non-Filers file must be sent back to the Internal Revenue Service by January 31, 2023. The Certification file is used to assign discrepancies to field auditors to determine the disposition of the discrepancy identified. The Department’s policy is designed to review each individual case within 180 days.

Condition – For the secure file received in October 2022, 13 of 25 discrepancies were not resolved within the 180-day period, as required. For the secure file received in October 2021, 14 of 33 discrepancies were not resolved within the 180-day period, as required, and an additional 17 of 33 discrepancies have not been resolved.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Cause – Due to a massive influx of claims beginning March of 2020 through December 2021, staff members from all bureaus, including investigations and field audit, were directed to assist with pandemic related claims. This included claims processing, answering phone calls on the customer service line and conducting two party fact-findings, and assisting in completing employer registrations. Because investigations staff were required to work these areas, normal investigations work, including monitoring the IRS 940 match report, was delayed.

Effect – The Department did not have discrepancies resolved in a timely manner.

Recommendation – The Department should follow the established policies and procedures to ensure discrepancies are followed up within 180 days.

Response and Corrective Action Planned – The Department will follow policies and procedures in place for fiscal year 2023, to certify the amounts contributed annually and ensure discrepancies are followed up within 180 days.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI32599J20, UI34058T30, UI34058T90, UI34058U10, UI34058V70, UI340583I0, UI34496Y90, UI34496Y91, UI34715C80, UI34715CA0, UI34715MV0, UI34715Z50, UI34715CI0, UI34715KDO, UI34715NJ0, UI34715Z70, UI34715MT0, UI34715Z30, UI34856CJ0, UI34856Z80, UI35648B60, UI35648DO0, UI35648JT0, UI35648JT1, UI35704B80, UI35704B90, UI35944JU0, UI37064KI0, UI37223PU0, UI37223PU1, UI38018PW0, UI37280MJ0, UI37280MK0, UI0347150148, UI380180102, UI38399MO0, UI34750146, UI34164U60, UI34164U50, UI39268RS0, UI39268RR0

Federal Award Year: 2019, 2020, 2021, 2022, 2023

Prior Year Single Audit Report Finding Number: 2022-004

Iowa Department of Workforce Development

2023-004

Cash Management Improvement Act

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 by the Department. Effective cash management also minimizes 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 acceptable between the receipt of federal funds and the disbursement of those funds.

Condition – A review of the Department’s records identified cash balances averaged approximately \$25.7 million and were greater than a significant amount of approximately \$9.7 million for the fiscal year.

Cause – Although procedures have been established to draw federal funds only in amounts sufficient to cover current needs, the Department did not review or update procedures to account for federal draws associated with pandemic related administrative programs and unemployment benefits.

Effect – Failure to follow procedures resulted in Department employees not detecting the error in the normal course of performing their assigned duties.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

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

Response and Corrective Action Planned – The Department implemented a revised cash management policy for federal programs. Included in the policy and procedure are review of ledger activity, instances in which federal programs reflect excess cash on hand, immediate review of the programs revenues and expenditures is performed. In addition, federal funds drawn that exceed defined thresholds require additional approval from the Accounting and Finance Bureau Chiefs and or the Department's Chief Financial Officer.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI32599J20, UI34058T30, UI34058T90, UI34058U10, UI34058V70, UI340583I0, UI34496Y90, UI34496Y91, UI34715C80, UI34715CA0, UI34715MV0, UI34715Z50, UI34715C10, UI34715KDO, UI34715NJ0, UI34715Z70, UI34715MT0, UI34715Z30, UI34856CJ0, UI34856Z80, UI35648B60, UI35648DO0, UI35648JT0, UI35648JT1, UI35704B80, UI35704B90, UI35944JU0, UI37064KI0, UI37223PU0, UI37223PU1, UI38018PW0, UI37280MJ0, UI37280MK0, UI0347150148, UI380180102, UI38399MO0, UI34750146, UI34164U60, UI34164U50, UI39268RS0, UI39268RR0

Federal Award Year: 2019, 2020, 2021, 2022, 2023

Prior Year Single Audit Report Finding Number: 2022-006

Iowa Department of Workforce Development

2023-005

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the Department establish and maintain effective internal control over the federal award which provides reasonable assurance the Department is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award. The ETA 191 report, “Statement of Expenditures and Financial Adjustments of Federal Funds for Unemployment Compensation for Federal Employees and Ex-Servicemembers”, is the quarterly summary of unemployment compensation expenditures and adjustments and the total amount of benefits paid to claimants of each federal and military agency. Unemployment Insurance (UI) Reports Handbook No. 401 requires the report to be submitted electronically to the Employment and Training Administration of the U.S. Department of Labor by the 25th of the month following the close of the quarter.

Condition – One of the four quarterly reports was submitted one day late.

Cause – Department procedures were not established in fiscal year 2023 to ensure reports are submitted timely. The Department also utilizes a database to identify unemployment compensation paid to Federal Employees and Ex-Servicemembers.

Effect – The lack of established policies and procedures resulted in the late submission of the quarterly report.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Recommendation – The Department should establish policies and procedures to ensure reports are submitted timely in accordance with UI Reports Handbook.

Response and Corrective Action Planned – A policy and procedure has been established for reporting and filing the ETA 191. Included in the procedure is a requirement to submit the report to the Chief Financial Officer or Comptroller for review and approval. Evidence of review and transmittal is documented via email confirmation to the Accountant 3 responsible for preparing the ETA 191. Review and approval of the ETA 191 is required to be completed prior to the reports due date. After transmittal to DOL of the ETA 191; a copy with supporting documentation is made available to the Unemployment Division Administrator.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI32599J20, UI34058T30, UI34058T90, UI34058U10, UI34058V70, UI340583I0, UI34496Y90, UI34496Y91, UI34715C80, UI34715CA0, UI34715MV0, UI34715Z50, UI34715C10, UI34715KD0, UI34715NJ0, UI34715Z70, UI34715MT0, UI34715Z30, UI34856CJ0, UI34856Z80, UI35648B60, UI35648D00, UI35648JT0, UI35648JT1, UI35704B80, UI35704B90, UI35944JU0, UI37064KI0, UI37223PU0, UI37223PU1, UI38018PW0, UI37280MJ0, UI37280MK0, UI0347150148, UI380180102, UI38399MO0, UI34750146, UI34164U60, UI34164U50, UI39268RS0, UI39268RR0

Federal Award Year: 2019, 2020, 2021, 2022, 2023

Prior Year Single Audit Report Finding Number: 2022-007

Iowa Department of Workforce Development

2023-006

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the Department establish and maintain effective internal control over the federal award which provides reasonable assurance the Department is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award. The ETA 9050 report, “Time Lapse of All First Payments Except Workshare”, provides information on the time it takes states to pay benefits to claimants for the first compensable week of unemployment. The ETA 9052 report, “Nonmonetary Determination Time Lapse Detection”, provides information on the time it takes states to issue nonmonetary determinations from the date the issues are first detected by the Department. The ETA 9055 report, “Appeals Case Aging”, provides information on the inventory of lower authority and higher authority single claimant appeals cases that have been filed but not decided. Appeals case aging provides information about the number of days from the date an appeal was filed through the end of the month covered by the report. Also included are the average and median ages of the pending single claimant appeals cases.

The UI Reports Handbook No. 401 requires the reports to be submitted on the 20th of the month following the month to which the data relates.

Condition – Supporting documentation for the monthly reports was not retained. Reports submitted were not reviewed and approved by an independent person for propriety prior to submission for one of 12 months.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Cause – Department procedures have not been established to retain supporting documentation for the data fields in the report. 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 submitted timely 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 and are submitted by the due date. 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 ET 9050, 9052 and 9055 reports. Included in the procedures where to retain the supporting data file and review of the report by the Division Administrator or Deputy Division Administrator prior to final transmission. The report must be returned with a signature and date prior to submitting the finalized reports to the Department of Labor within the reporting deadline.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance.

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI32599J20, UI34058T30, UI34058T90, UI34058U10, UI34058V70, UI340583I0, UI34496Y90, UI34496Y91, UI34715C80, UI34715CA0, UI34715MV0, UI34715Z50, UI34715CI0, UI34715KD0, UI34715NJ0, UI34715Z70, UI34715MT0, UI34715Z30, UI34856CJ0, UI34856Z80, UI35648B60, UI35648D00, UI35648JT0, UI35648JT1, UI35704B80, UI35704B90, UI35944JU0, UI37064KI0, UI37223PU0, UI37223PU1, UI38018PW0, UI37280MJ0, UI37280MK0, UI0347150148, UI380180102, UI38399MO0, UI34750146, UI34164U60, UI34164U50, UI39268RS0, UI39268RR0

Federal Award Year: 2019, 2020, 2021, 2022, 2023

Prior Year Single Audit Report Finding Number: N/A

Iowa Department of Workforce Development

2023-007

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the Department establish and maintain effective internal control over the federal award which provides reasonable assurance the Department is managing the federal award in compliance with federal statutes, regulation and the terms of the federal award. The ETA 2112 report, “UI Financial Transaction Summary”, is a monthly summary of transactions in a state unemployment fund which consists of the 8405 Clearing Account Unemployment Trust Fund (UTF) Account, and Benefit Payment Account. UI Reports Handbook No. 401 requires the report to be submitted to the Employment and Training Administration of the U.S. Department of Labor monthly, by the first day of the second month following the month of reference.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Condition – Short Time Compensation (STC) is an alternative to layoffs for employers experiencing a reduction in available work, STC allows employers to reduce the hours of work rather than laying off some employees. The Federal Employee Compensation Act (FECA) provides workers' compensation coverage for employment-related injuries and occupational diseases. The Department did not report Short Time Compensation and FECA benefit payments on the transaction summaries throughout the fiscal year. There were unexplained variances between the prior year ending balance and current year beginning balances. The Department's UC Benefit payment account did not include FECA benefit draws and Unemployment Compensation for Ex-Servicemembers (UCX) benefit draws throughout the fiscal year.

In addition, the January 2023 ETA 8405 Clearing Account's prior months balance is understated by \$11,825,764 and the March 2023 ETA 2112 Total Iowa Benefits was understated by \$8,774,147. The ETA 8405 Clearing Account was established for all employer contributions and payments in lieu of contributions to be deposited into and transferred immediately upon availability to the Unemployment Trust Fund. The ETA 8405 Report totals the ending balance of each day in the month, when manually entering the beginning daily ledger balance for January 2023, the Department entered the incorrect prior month ending balance resulting in the ledger balance amount being understated.

The Department indicated the ETA 2112 reports submitted during fiscal year 2023 were reviewed and approved; however, this review was not documented for 2 of 12 months, and 6 of 12 monthly reports were submitted between 2 and 27 days late.

Cause – The Department utilizes an external accounting system for the processing of Unemployment Insurance (UI) benefit payments to claimants. The benefit claimant system processes the claims, then communicates the information to the State's accounting system, the Integrated Information for Iowa (I/3) system, for payment.

The benefit claimant system identifies benefit payments by State Unemployment and Federal Unemployment programs, including Federal Unemployment claims covered under various Acts enacted during the pandemic.

The Department has developed a process to reconcile benefit payments by type and in total between the Department's benefit claimant system and I/3 daily to ensure benefit payments are accurately recorded for financial reporting purposes. Although the Department performed the reconciliations, variances were identified and remained uncorrected at the time of reporting for the ETA 2112 reports.

In addition, Department procedures have not been established to ensure reports are submitted timely and Department procedures have not been established to require the independent review and approval of the ETA 2112 reports be documented and retained.

Effect – Incorrect supporting documentation, such as the ETA 8405 report and accounting ledgers, resulted in undetected reporting errors and misstatements and the lack of a documented review of these reports resulted in the errors being undetected and increases the risk for further undetected reporting errors or misstatements. In addition, the lack of established policies and procedures resulted in the late submission of six monthly reports.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Recommendation – The Department should follow policies and procedures already established to ensure variances in the reconciliation process are investigated and corrected immediately. If errors are noted on the ETA 2112 reports after initial submission, the Department should amend the completed report to agree with the corrected supporting documentation.

The Department should establish policies and procedures to ensure the monthly 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. In addition, the Department should establish policies and procedures to ensure reports are submitted timely.

Response and Corrective Action Planned – The Department will review with staff and retrain as necessary to follow existing policies and procedures to ensure variances identified during the reconciliation process are corrected. The Department is also modifying policies and procedures related to the ETA 2112 report. In addition, management will review ETA 2112 reports for accuracy and to identify if an amended report should be filed.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance.

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI32599J20, UI34058T30, UI34058T90, UI34058U10, UI34058V70, UI340583I0, UI34496Y90, UI34496Y91, UI34715C80, UI34715CA0, UI34715MV0, UI34715Z50, UI34715CI0, UI34715KD0, UI34715NJ0, UI34715Z70, UI34715MT0, UI34715Z30, UI34856CJ0, UI34856Z80, UI35648B60, UI35648D00, UI35648JT0, UI35648JT1, UI35704B80, UI35704B90, UI35944JU0, UI37064KI0, UI37223PU0, UI37223PU1, UI38018PW0, UI37280MJ0, UI37280MK0, UI0347150148, UI380180102, UI38399MO0, UI34750146, UI34164U60, UI34164U50, UI39268RS0, UI39268RR0

Federal Award Year: 2019, 2020, 2021, 2022, 2023

Prior Year Single Audit Report Finding Number: 2022-008

Iowa Department of Workforce Development

2023-008

Employment and Training Administration (ETA) Reports

Criteria – The Uniform Guidance, Part 200.303, requires the Department establish and maintain effective internal control over the federal award which provides reasonable assurance the Department is managing the federal award in compliance with federal statutes, regulation and the terms of the federal award. The ETA 2208A report, “Quarterly UI Contingency Report”, provides information on the number of staff years worked and paid for various UI program categories, and provides the basis for determining above-base entitlements. UI Reports Handbook No. 336 requires the report to be submitted electronically for each calendar quarter to the Employment and Training Administration of the U.S. Department of Labor within 30 days after the end of the reporting quarter to which it relates.

Condition – Three of four quarterly reports were submitted one day late. In addition, the Department indicated the reports were reviewed and approved; however, this review was not documented for four out of four quarterly reports.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Cause – Department procedures have not been established to ensure reports are submitted timely and require the independent review and approval of the reports be documented.

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 the three 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 or initials and date of review prior to submission.

Response and Corrective Action Planned – The Department established policies and procedures to ensure evidence of an independent review is documented by the reviewer and date of the review prior to submission, within the reporting deadline. The ETA 2208A report will be reviewed by the Chief Financial Officer or Comptroller and will be evidenced by email approval prior to any future ETA 2208A submissions to the ETA. The Department began this process September 2023.

Conclusion – Response accepted.

ALN: 17.225 – Unemployment Insurance.

ALN: 17.225 – COVID-19, Unemployment Insurance

Agency Number: REEDMOD09, UI32599J20, UI34058T30, UI34058T90, UI34058U10, UI34058V70, UI340583I0, UI34496Y90, UI34496Y91, UI34715C80, UI34715CA0, UI34715MV0, UI34715Z50, UI34715CI0, UI34715KD0, UI34715NJ0, UI34715Z70, UI34715MT0, UI34715Z30, UI34856CJ0, UI34856Z80, UI35648B60, UI35648D00, UI35648JT0, UI35648JT1, UI35704B80, UI35704B90, UI35944JU0, UI37064KI0, UI37223PU0, UI37223PU1, UI38018PW0, UI37280MJ0, UI37280MK0, UI0347150148, UI380180102, UI38399MO0, UI34750146, UI34164U60, UI34164U50, UI39268RS0, UI39268RR0

Federal Award Year: 2019, 2020, 2021, 2022, 2023

Prior Year Single Audit Report Finding Number: N/A

Iowa Department of Workforce Development

2023-009

Indirect Costs

Criteria – The Department negotiates an indirect cost rate with the U.S. Department of Labor in accordance with Title 2 of the Code of Federal Regulations, Part 200 for nonprofit and state/local entities. Indirect costs are expenditures that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. The Department allocates these indirect costs to federal programs using the negotiated indirect cost rates. The Department cannot charge more than the maximum negotiated indirect costs or rates.

Condition – The Department exceeded the maximum allowable amount for indirect cost by \$117,275.

Cause – The Department has not established policies and procedures to ensure the maximum allowable amount is not exceeded.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Effect – The cumulative indirect cost for all programs in fiscal year 2023 exceeded the maximum allowable amount.

Recommendation – The Department should establish policies and procedures to ensure the maximum allowable amount is not exceeded. In addition, the Department should work with the Department of Labor to resolve the potential over payment.

Response and Corrective Action Planned – The Department will establish policies to track and control indirect costs so that it doesn't exceed the maximum allowable to be collected per U.S. Department of Labor approvals and individual federal award limitations. We will work with the Department of Labor to resolve this issue.

Conclusion – Response accepted.

U.S. Department of the Treasury

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

AL Number: 21.027 – COVID 19, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

Agency Number: 309-AA2C-CCC, 309-AA2D-SYI, 309-PF2E-HC2, 309-AA2H-HBP, 309-AA2L-LMI, 309-AA2I-CCB, 309-AANL-CDL, 309-AATU-TPR, 309-AAPP-PPS, 309-PFIL-ELL

Federal Award Year: 2021, 2023

Prior Year Single Audit Report Finding Number: 2022-014

Iowa Department of Workforce Development – Passed through Iowa Department of Management

2023-010

Awards to Subrecipients

Criteria – During fiscal year 2023, the Governor allocated Coronavirus State and Local Recovery Funds to the Department for Summer Youth Internship Projects to provide internship opportunities in high-demand fields for youth with barriers and/or at risk of not graduating. All projects include recruitment of youth at risk of not graduating and youth from underrepresented communities and/or from low-income households. The primary supported occupations include healthcare, construction-related trades, information technology, advanced manufacturing and energy. The Healthy Childhood Environments: Child Care Challenge project was to create new childcare slots across the State and help communities improve their childcare options and bolster opportunities for Iowans to reenter the workforce. All the projects are designed to address childcare shortages and alleviate local childcare need.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

The Uniform Guidance, Part 200.332 states, “All pass-through entities must: ensure that 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, subrecipient's unique entity identifier, federal award identification number (FAIN), subaward budget period start and end date, identification of whether the award is research and development (R&D) and the indirect cost rate for the federal award (including if the de minimis rate is charged) per Part 200.414.

Condition – For the subawards provided, the Department did not include the subrecipient's unique entity identifier, FAIN, the federal award project description as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA), identification of whether the award is R&D and the indirect cost rate for the federal award (including if the de minimis rate is charged) per Part 200.414.

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

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 200.332.

Response and Corrective Action Planned – Effective August 2023; new sub-awards and pass thru grant agreements have elements specified in the respective agreement as required by Uniform Guidance, Part 200.332.

Conclusion – Response accepted.

June 30, 2023

Other Findings Related to the Department's Single Audit:

U.S. Department of the Treasury

INTERNAL CONTROL DEFICIENCIES:

ALN: 21.019 – Coronavirus Relief Fund

Federal Award Year: 2020

Prior Year Single Audit Report Finding Number: 2022-Followup-001

Iowa Department of Workforce Development – Passed through Iowa Department of Management

2023-Followup-001

Subrecipient Monitoring

Criteria – The Uniform Guidance, Part 200.332 states in part, “All pass-through entities must: Evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.” The Uniform Guidance, Part 200.332 also 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. Pass-through 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, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward, issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by Part 200.521.”

The Uniform Guidance further states: “Depending upon the pass-through entity's assessment of risk posed by the subrecipient the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals: providing subrecipients with training and technical assistance on program-related matters, performing on-site reviews of the subrecipient's program operations and arranging for agreed-upon-procedures engagements as described in Part 200.425.”

The Uniform Guidance, Part 200.332 also states, “All pass-through entities must: Verify that every subrecipient is audited as required by Subpart F when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in Part 200.501. Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

In addition, Uniform Guidance, Part 200.501(h) states in part, “the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients.” and “Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the agreement, and post-award audits.”

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Condition – The Department did not evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

The Department did not monitor the activities of the subrecipient as necessary to ensure 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, including the monitoring of Part 200.332(d)(1) to Part 200.332(d)(4). In addition, the Department did not utilize any of the monitoring tools identified in Part 200.332(e) to ensure proper accountability and compliance with program requirements and achievement of performance goals.

The Department did not verify that every subrecipient is audited as required by Subpart F when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in Part 200.501.

The Department did not consider whether the results of the subrecipient's audits, on-site reviews or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

The Department did not establish policies and procedures to ensure compliance for Federal awards made to for-profit subrecipients as required in Part 200.501(h).

Cause – The Department has not established policies and procedures to ensure compliance with the Uniform Guidance, Part 200.332 and Part 200.501(h). The Department was also facing significant time and resource constraints, including the initial requirement the Coronavirus Relief Funds (CRF) were to be expended by December 30, 2020.

Effect – The Department is not in compliance with subrecipient monitoring as required by the Uniform Guidance, Part 200.332 and Part 200.501(h).

Recommendation – The Department should establish policies and procedures to ensure compliance with the Uniform Guidance, Part 200.332 and Part 200.501(h).

Response and Corrective Action Planned – The Department is in the process of developing policies and procedures to ensure compliance with the Uniform Guidance, Part 200.332 and Part 200.501(h) for federal awards granted with Coronavirus Relief Funds. The Department intends to conduct monitoring and compliance with applicable Uniform Guidance in fiscal year 2024. Specific areas to address are:

- Review of the subrecipient and subrecipient grant application to assess risk and to ensure approved programs are in compliance with the CARES Act.
- Review of documentation provided by subrecipients to ensure expenditures align with the grant application, are supported and are allowable under the CARES Act.
- Validate that program expenditures benefit individuals that were negatively impacted by the COVID-19 pandemic.
- Review post-award reports to determine if proposed projects and related goals were achieved.
- Identify entities that require an audit per Uniform Guidance, Part 200.501 and follow up on audit deficiencies related to the federal award.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

ALN: WIOA Cluster

Agency Number: AA33229L70, AA33229L90, AA33229LN0, AA33229R70, AA33229R90, AA347683L0, AA347685P0, AA34768V90, AA34768VQ0, AA34768VS0, AA36319D90, AA36319DQ0, AA36319E10, AA36319KY0, AA36319LA0

Federal Award Year: 2020, 2021, 2022, 2023

Prior Year Single Audit Report Finding Number: 2022-009

Iowa Department of Workforce Development

2023-Followup-002

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 9130, Financial Status Report, is the quarterly summary of program and administrative expenditures. All ETA grantees are required to submit quarterly financial reports for each grant award which they operate, including standard program and pilot, demonstration and evaluation projects. U.S. Department of Labor Employment and Training Administration Financial Report Instructions requires the report to be submitted electronically no later than 45 calendar days after each specified reporting period. A closeout report is required to be submitted no later than 90 calendar days after the grant end date.

Condition – For seven of the fourteen final reports the total expenditures do not agree with the state’s accounting system. In total the reports were understated \$279,681, with ranges of an overstatement of \$355,126 to an understatement of \$355,116.

For one of fourteen final reports, administration expenditures do not agree with the state’s accounting system. In total the report was overstated \$868.

Cause – The Department did not ensure the reconciliation of the state accounting system by program was performed.

Effect – Seven reports had misstated total expenditures and one report had misstated administrative expenditures.

Recommendation – The Department should establish policies and procedures to ensure expenditures are properly reported and a reconciliation to the state accounting system is performed.

Response and Corrective Action Planned – The Department has implemented a procedure to ensure ETA 9130 reports are filed timely and evidence of review is present on supporting documentation. Effective March 31, 2023, U.S. Department of Labor transitioned ETA 9130 reporting to Payment Management System, a feature of this is automatic logging of a user’s identify for submittal and users identify for grantee certification. Specific to WIOA Title I programs, the department is reviewing procedures related to WIOA ETA 9130 filings, including reconciliation requirements of the WIOA Title I program, and reporting obligations and accruals.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

ALN: WIOA Cluster

Agency Number: AA33229L70, AA33229L90, AA33229LN0, AA33229R70, AA33229R90, AA347683L0, AA347685P0, AA34768V90, AA34768VQ0, AA34768VS0, AA36319D90, AA36319DQ0, AA36319E10, AA36319KY0, AA36319LA0

Federal Award Year: 2020, 2021, 2022

Prior Year Single Audit Report Finding Number: 2022-011

Iowa Department of Workforce Development

2023-Followup-003

Federal Funding Accountability and Transparency Act Reporting

Criteria – The Uniform Guidance, Part 200.303, requires the Department establish and maintain effective internal control over the federal award which provides reasonable assurance the Department is managing the federal award in compliance with federal statutes, regulations and the terms of the federal award.

Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Condition – The Department did not report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) for WIOA Cluster subrecipients.

Cause – The Department was unaware of the requirement until it was brought to their attention.

Effect – The Department was not in compliance with report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Recommendation – The Department should establish policies and procedures to ensure first-tier subawards of \$30,000 or more are reported to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Policies and procedures should ensure the reporting is 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 establish policies and procedures to ensure first-tier subawards of \$30,000 or more are reported to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Policies and procedures will ensure the reporting is reviewed and approved by an independent person who is knowledgeable about the program. This independent review will be documented by the reviewer’s signature or initials and date of review prior to submission. The Department plans to begin this process in October 2023

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

ALN: WIOA Cluster

Agency Number: AA33229L70, AA33229L90, AA33229LN0, AA33229R70, AA33229R90, AA347683L0, AA347685P0, AA34768V90, AA34768VQ0, AA34768VS0, AA36319D90, AA36319DQ0, AA36319E10, AA36319KY0, AA36319LA0

Federal Award Year: 2020, 2021, 2022

Prior Year Single Audit Report Finding Number: 2022-012

Iowa Department of Workforce Development

2023-Followup-004

Awards to Subrecipients

Criteria – The Uniform Guidance, Part 200.332 states, “All pass-through entities must: ensure that 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 identification of whether the award is research and development (R&D) and the indirect cost rate for the federal award (including if the de minimis rate is charged) per Part 200.414.

Condition – For subawards the Department did not include identification of whether the award is R&D or the indirect cost rate for the federal award (including if the de minimis rate is charged) per Part 200.414.

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

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 200.332.

Response and Corrective Action Planned – Effective October, 2023; new sub-awards and pass thru grant agreements will have elements specified in the respective agreement as required by Uniform Guidance, Part 200.332.

Conclusion – Response accepted.

June 30, 2023

ALN: WIOA Cluster

Agency Number: AA33229L70, AA33229L90, AA33229LN0, AA33229R70, AA33229R90, AA347683L0, AA347685P0, AA34768V90, AA34768VQ0, AA34768VS0, AA36319D90, AA36319DQ0, AA36319E10, AA36319KY0, AA36319LA0

Federal Award Year: 2020, 2021, 2022

Prior Year Single Audit Report Finding Number: 2022-013

Iowa Department of Workforce Development

2023-Followup-005

Subrecipient Monitoring

Criteria – The Uniform Guidance, Part 200.332 states in part, “All pass-through entities must: evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.” The Uniform Guidance, Part 200.332 also 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. Pass-through 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, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward and issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the pass-through entity as required by Part 200.521.”

The Uniform Guidance, Part 200.332 also states, “All pass-through entities must: Verify that every subrecipient is audited as required by Subpart F when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in Part 200.501.” and that “All pass-through entities must: consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.”

Condition – For two out of the five grantees, a signed copy of the final determination letter was not properly maintained.

For one out of the five grantees, follow-up was done and properly resolved. However, there was no documentation on the audit report routing sheet noting that the follow-up was satisfactory. Additionally, the letter was not properly signed.

Cause – The Department has not established policies and procedures to ensure compliance with the Uniform Guidance, Part 200.332.

Effect – The Department is not in compliance with subrecipient monitoring as required by the Uniform Guidance, Part 200.332.

Recommendation – The Department should establish policies and procedures to ensure compliance with the Uniform Guidance, Part 200.332.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2023

Response and Corrective Action Planned – The Department established policies and procedures to perform financial subrecipient monitoring for subawards related to WIOA and began that process in May 2023. The Department is also enhancing its fiscal review process starting with funding requests from sub-recipients and partnering with WIOA Title I program staff to identify areas of risk. The monitoring will be performed to ensure compliance with WIOA and Uniform Guidance, Part 200.332 and Part 200.501(h).

Conclusion – Response accepted.

June 30, 2023

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

(A) 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.

(1) Unemployment Benefits Fund Employer Accounts

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.

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 should not be included in the balance reported in the GAAP package. For the year ended June 30, 2023, \$149,496 of \$19,659,500 of contributions, \$6,010,351 of \$16,663,183 of interest and \$168,857 of \$3,138,389 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 independent review did not identify material errors in the GAAP package.

Effect – The department 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 – We have identified an issue with our reporting where some accounts are not pulling in the data needed to determine if the uncollected debt is older than 720 days. We are working on correcting the report. Until the report is corrected, we have identified a workaround for Financial Management to use by having them pull the Contributory Report and the Non-Collectable debt report and find the common account numbers. The Contributory Report with the Non-Collectable account numbers removed will provide them with the information they are looking for.

Conclusion – Response accepted.

June 30, 2023

(2) Unemployment Benefits Fund Reconciliation

Condition – IWD utilizes an external accounting system for processing Unemployment Insurance (UI) benefit payments to claimants, and billings and collections to and from other states for UI claimants. In addition, IWD utilizes a system to track employer unemployment insurance contributions and each state maintains its own UI trust fund reserve built from state taxes, primarily from employers, and used only to pay for UI benefits. IWD has developed a process to reconcile the systems daily to ensure payments agree by program type and in total for financial reporting purposes. IWD has also developed procedures to maintain accurate account balances using a manual general ledger to produce a monthly trial balance for external accounting systems which is reconciled to State accounting records.

The following were noted for the year ended June 30, 2023:

- (a) The manual general ledger was not maintained during the fiscal year. After year end, manual ledgers were adjusted for reporting purposes.
- (b) Monthly financial statements were not prepared during the fiscal year. After year end, financial statements of the external accounts were updated for reporting purposes.
- (c) Reconciliations of the manual general ledger and monthly financial statements to the State accounting records were not performed during the fiscal year. After year end, reconciliations were performed.

Cause – Although policies and procedures are established to maintain the manual general ledger, prepare monthly financial statements and perform a reconciliation to the State accounting system, IWD did not perform these tasks during fiscal year 2023 until it was brought to their attention during the audit. As a result, IWD did not correct these errors for several months.

Effect – The lack of maintaining manual general ledgers, monthly financial activity reports and reconciliations to the State accounting system can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – IWD should follow policies and procedures already established to ensure the manual general ledger and monthly financial activity is maintained. In addition, monthly reconciliations should be performed and variances between the systems should be investigated and resolved timely.

Response – The Department acknowledges these critical ledgers, reports, and reconciliations were not maintained throughout state fiscal year 2023. As these have been brought to our attention, keeping these ledgers and reconciliations up to date is a priority. The Department is in the process of bringing on additional staff to ensure those critical functions are completed and to minimize the negative impact of staff turnover and increased activity.

In addition, the Department is reviewing existing policies and procedures related to upkeep of general ledgers, to identify related source documents to substantiate balances and review how transactions are recorded with the state accounting system to enhance reconciliation and reporting related to benefit payments. The Department focused in fiscal year 2023 on updating general ledger tabs with identifying the source documentation and developing supporting documentation storage folders.

Conclusion – Response accepted.

June 30, 2023

(B) Reconciliation of Unemployment Insurance Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling Unemployment Insurance (UI) overpayment billings, collections and delinquent accounts and comparing UI overpayment collections to deposits to ensure proper recording of UI overpayment receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – UI overpayment billings, collections and delinquent accounts were reconciled monthly throughout the year and a delinquent accounts listing was prepared. However, the reconciliation performed showed unexplained variances between the ending of one month and the beginning of the next month. Reconciliations were subsequently corrected, and the activity was reported to DAS-SAE in a GAAP package. Although policies and procedures have been established to require independent review of the reconciliation, no evidence exists that the review was performed.

Cause – Policies have not been established and procedures have not been implemented to investigate variances in the monthly reconciliations of the UI overpayment billings, collections and delinquent accounts and UI overpayment collections to deposits.

Effect – This condition could result in unrecorded or misstated UI overpayment receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to investigate variances in the reconciliation of UI overpayment billings, collections and delinquent accounts for each billing period and collections to deposits. The Department designated independent person should review the reconciliation and monitor delinquents. The review of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review.

Response – Each month when there is a variance between the ending of the one month and the beginning of the next month after Financial Management is reconciling the UI overpayments billings, collection and delinquent accounts, the team member from Financial Management will work with the Benefits Collection Manager to determine what is causing the variances. This is initiated by an email from the team member in Financial Management and we can provide copies of the emails that took place during the last year.

Conclusion – Response accepted.

(C) Financial Reporting

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 State's financial statements.

Departments record receipts and disbursements in the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded in the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. Departments submit their GAAP packages to DAS-SAE by the first week of September each year.

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Condition – The Department understated deferred revenue related to employer credits by \$22,061,522. This was properly adjusted for reporting purposes. The Department overstated federal benefit overpayment payables to U.S. Department of Labor by \$59,327,788. This was properly adjusted for reporting purposes.

Cause – Although policies and procedures are in place to review GAAP package information, the review did not identify the misstatements.

Effect – The amounts reported for deferred revenue and federal benefit overpayment payables were misstated requiring adjustments to the financial statements.

Recommendation – The Department should implement effective policies and procedures to ensure information reported to DAS-SAE on the GAAP package is accurate.

Response – The Department is in the process of identifying staff responsible for specific pages within the GAAP package. Staff are to be trained on how to properly reconcile and report activity within the GAAP package. In addition, to staff assigned specific roles, additional review of the GAAP package will be performed prior to submission to the GAAP Team. The Department is in the process of bringing on additional staff to ensure those critical functions are completed to minimize the negative impact of staff turnover and increased activity.

Conclusion – Response accepted.

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Other Findings Related to Internal Control:

- (1) Financial Reporting – 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.

Departments record receipts and disbursements in the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded in the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. Departments submit their GAAP packages to DAS-SAE by the first week of September each year. The following conditions were noted:

- (a) Lease Liability was understated by \$140,305 and interest payable was overstated by \$56,774.
- (b) Lessor Receivable were Overstated: Receivables \$854,561, Interest Revenue \$32,027 and Deferred Inflows \$842,533. Also, an adjustment of \$789,179 for lease-related deferred inflows was made after discussions with AOS when it was determined that Workforce Development was booking to the GAAP Package leases/MOUs held with Vocational Rehab.
- (c) SBITAs current year amortization is overstated by \$289,272.
- (d) Unearned revenue for fund 0108 was understated by \$1,042,451.
- (e) The GAAP Package was not properly approved by an independent person.
- (f) State Allowance Fund 0691 was understated on the Statement of Net Position UI Trust Fund by \$2,383,547.
- (g) Refunds to Employers Paid in fiscal year 2024 for fiscal year 2023 payable were overstated by \$803,353.
- (h) UI Benefits paid Fund 0691 – Funds to be drawn was overstated by \$663,699.

Recommendation – The Department should implement additional procedures to ensure information reported to DAS-SAE on the GAAP Package is accurate. The GAAP Package should be approved by an independent person.

Response – For the state fiscal year 2024 GAAP Package the Department has assigned various pages to Financial team members for compilation. The pages will be reviewed by the Accountant’s or Budget Analyst’s supervisor as well as the Comptroller or CFO before submission to the GAAP team.

Conclusion – Response accepted.

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- (2) 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’s background check policy has been identified for select areas of the Department. Background checks are completed for new hires, and they are offered conditional positions pending a successful background check. The Department also requires all applicants selected for interview to complete a notice of felony conviction form.

Conclusion – Response accepted.

- (3) 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.

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. We noted approvals for deletions were done until after the disposal of the asset. In addition, capital asset confirmations were not sent to verify assets in place during fiscal year 2023. No physical inventory was taken during fiscal year 2023. Also, a lobby renovation was not properly recorded by asset type in the capital asset listing.

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

Response – The Department uses a program by Bloomberg Accounting system to track capital assets. The Department has established disposal procedures which include a request form to sell or scrap of any assets prior to the action being completed.

Conclusion – Response accepted.

- (4) 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. In addition, all purchases must have an approved purchase request prior to the purchase. Cardholders may only hold one card. A card without the cardholder’s signature in the signature block is an invalid card.

The DAS Purchasing Card policy also prohibits the use of P-cards to be used for gift cards.

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For the thirty-three purchasing card transactions tested, the following were identified:

- (a) Seven payments contained “Purchase Request” documents prepared and approved after the purchase transaction occurred.
- (b) Two payment contained “Purchase Request” documents prepared but there was no evidence of supervisor approval.
- (c) Eleven payments were made after the statement due date.
- (d) Four payments totaling \$3,831 were made for gift card as part of a veteran’s assistance program.

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.

Response – The Department reviewed Purchasing Card Program Procedures Manual and clarified with Finance team staff the requirements for timely payments. Communication will be sent to all P-card holders as a reminder of allowable uses and process steps to be completed prior to entering into a transaction.

Conclusion – Response accepted.

- (5) Combined Wage Claims Receipts Adjustment and Reconciliation – Data processing (DP) creates an automated billing system quarterly report known as an IB-6 for each state. The combined wage claims chargeback Employer Liability Specialist then reviews the billings for accuracy and makes any adjustments deemed necessary. The other states are pay based on the IB-6. The IB-6 should match the paper billings. There are times when a fact finding, or change happens that causes the IB-6 and paper bill to not match. When there is a change, an adjustment will happen on the combined wage claim reconciliation. The chargeback department receives quarterly billings from DP. They are reviewed and a total is entered into a general journal and ledgers. Journal entries are then created. Workforce Development sets up billing to other states. We noted the following:

- (a) Due from other states combined wage claim reconciliation is not properly reviewed and approved.
- (b) The reconciliation is not proper due to pulling paid amount from Treasury Direct instead of an internal source.
- (c) The combined wage claims due to other states and due from other states do not have separate beginning balances on the reconciliation.
- (d) Adjustments on the reconciliations are not investigated by the finance department to ensure the proper amount.
- (e) The combined wage claim benefits receivable general ledger was not properly prepared by the agency.

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Recommendation – Reconciliations and general ledgers should be properly maintained by the agency. Reconciliation variances and adjustments should be reviewed and explained. The reconciliations should be independently reviewed and approved. A reconciliation should be created using an internal source of information. There should be separate beginning balances for due to other states and due from other states.

Response – Processes are being implemented by IWD Finance and UI Tax departments to identify the reconciliation and control procedures for accurate tracking and reporting of Combined Wage Claims.

Conclusion – Response accepted.

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Findings Related to Statutory Requirements and Other Matters:

(1) 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.

- (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 – The Department will continue to request the repeal of these Code sections while working in collaboration with the Governor’s Office.

Conclusion – Response accepted.

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(2) Questionable Expenditures – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits have not been clearly documented. The following were noted:

- (a) The Department purchased \$1,000 worth of gift cards as part of a veteran’s assistance program. Per the State of Iowa Purchasing Card Program policy and Procedures Manual, gift card purchases are considered to be prohibited.
- (b) The Department purchased a replacement catalytic converter stolen from an employee’s vehicle while parked in the State of Iowa Garage for \$1,029. This should have been through employee’s insurance not the Department.

Recommendation – The Department should determine and document the public purpose served by these types of expenditures before authorizing any further such payments.

Response – The Department will document the public purpose of expenditures when approving for payment.

Conclusion – Response accepted.

(3) Service Contracts – Iowa Administrative Code Chapter 11, Sections 117, 118 and 119 govern the Departments responsibilities for entering into service contracts. We noted the following:

- (a) The Department did not make a determination as to whether or not the contract has an employer/employee relationship with the state for two out of twenty-five contracts tested.
- (b) The Department did not submit an original and two copies of the Pre-Contract Questionnaire, the completed IRS Form SS-8 and the proposed unsigned contract to the Accounting Bureau at the Department of Administrative Services for the two contracts noted above.
- (c) For six contracts exceeding \$50,000 (or \$150,000 in the case of multi-year agreements), out of twenty-five contracts tested, the Department did not issue a Request for Proposal or utilize another authorized formal competitive process to select the vendor. None of the six appear to be connected to decision-makers or others who have power over the process.

Recommendation – The Department should establish policies and procedures to ensure compliance with the Iowa Administrative Code Chapter 11, Sections 117, 118 and 119.

Response – The Department is actively reviewing its contracting process to align steps in a more efficient and practical manner following the alignment changes of divisions as of July 1, 2023. Review steps are included in the procedures that require signoff from both Finance and Legal team members for fundings and compliance of contracting standards including but not limited to those listed in this finding.

Conclusion – Response accepted.

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Staff:

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