



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE June 18, 2007

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Inspections and Appeals for the year ended June 30, 2006.

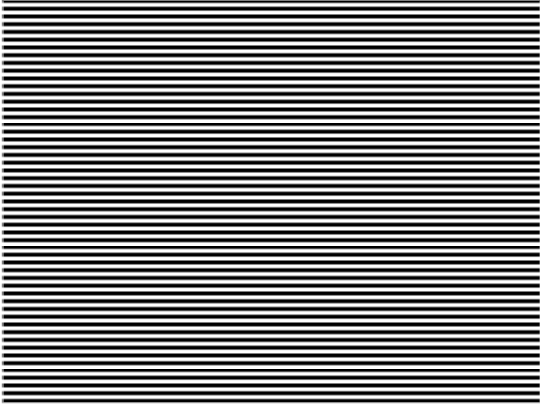
The Iowa Department of Inspections and Appeals was created for the purpose of coordinating and conducting audits, appeals, hearings, inspections and investigations related to the operations of Iowa state government. The Department also provides administrative support services for the Employment Appeal Board, Hospital Licensing Board, Child Advocacy Board, State Public Defender and the Iowa Racing and Gaming Commission.

Vaudt recommended the Department develop procedures to ensure federal funds are requested and received in a timely manner to minimize the amount of state funds used to operate federal programs. In addition, the Department should comply with provisions of the Code of Iowa which require the maintenance of an accurate and up-to-date listing of capital assets owned by the Department and the submittal of certain annual reports.

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

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**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF INSPECTIONS AND APPEALS**

**JUNE 30, 2006**

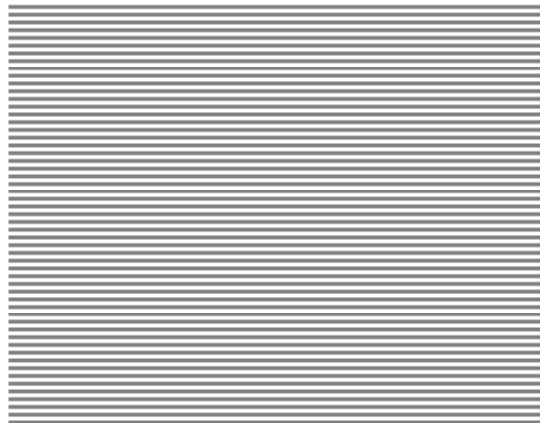
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June 13, 2007

To Dean Lerner, Director of the  
Iowa Department of Inspections and Appeals:

The Iowa Department of Inspections and Appeals is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2006.

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 pertain 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 the recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Inspections and Appeals, citizens of the State of Iowa and other parties to whom the Iowa Department of Inspections and Appeals 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 8 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor  
Charles J Krogmeier, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

**Iowa Department of Inspections and Appeals**

June 30, 2006

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

No matters were noted.

**Findings Related to Internal Control:**

(A) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department and division of the State to maintain an up-to-date inventory of all real and personal property belonging to the State. Errors noted included the following:

- 1) Two items were not capitalized, causing capital assets to be understated by \$9,397.
- 2) Five capital assets totaling \$43,212, which were fully depreciated, were deleted from the capital asset listing in error.
- 3) Two assets included on the asset listing could not be located due to the asset being scrapped either during or prior to the fiscal year, causing capital assets to be overstated by \$15,022.
- 4) Accumulated depreciation was understated by \$23,575 due to the Department deducting the entire value of the asset from accumulated depreciation instead of only the related accumulated depreciation.
- 5) Sales revenue and auction costs reported on the GAAP Package to the Iowa Department of Administrative Services were overstated by \$13,150 and \$76, respectively, due to the double counting of one vehicle sold and the inclusion of sales revenue for three vehicles sold during the previous fiscal year.

Recommendation – The Department should review its capital asset procedures to ensure accurate and current records are maintained.

Response – Department accounting staff have implemented these corrections and welcomes the detailed annual review of our accounting practices by Auditor of State staff. This review allows the Department an opportunity to correct any assumptions that may be incorrect before significant problems result. The Department has a small accounting staff with diverse job responsibilities and the auditor review provides timely clarification for staff and directly contributes to process improvement for the future.

Conclusion – Response accepted.

June 30, 2006

**Finding Related to Statutory Requirements and Other Matters:**

- (A) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of state funds used to operate the program until the federal funds are received.

For the State Survey and Certification of Health Care Providers and Suppliers program, 4 of 26 requests for federal funds from the U.S. Department of Health and Human Services were not submitted in a timely manner. Therefore, the federal funds were received from 6 to 16 days after the warrants were issued. Also, 4 of 24 requests for federal funds from the Iowa Department of Human Services were not submitted in a timely manner. Therefore, the federal funds were received 10 to 25 days after the warrants were issued.

For the State Medicaid Fraud Control Units program, 4 of 26 requests for federal funds were not submitted in a timely manner. Therefore, the federal funds were received from 6 to 16 days after the warrants were issued.

Recommendation – The Department should develop procedures to ensure federal funds are requested and received in a timely manner in order to minimize the amount of state funds used to operate the program until the federal funds are received.

Response – The Department implemented new procedures during fiscal year 2006 in an attempt to address this issue. While there may still be some requests that will not be processed timely due to Department staff priorities and time constraints, we are utilizing a coversheet for draws sent to other departments during the fiscal year end hold open period to emphasize the need for timely reimbursements to our Department. Fiscal year 2006 showed improvement over fiscal year 2005 and further improvement is anticipated.

Conclusion –Response accepted.

- (B) Iowa Code Compliance – The following compliance items were noted for fiscal year 2006.

- 1) Chapter 7E.3(4) of the Code of Iowa requires the head of the department submit an annual report in November of each year to the Governor and the Legislature on the operation of the department during the fiscal year concluding on the preceding June 30 and projecting the goals and objectives of the department as developed in the program budget report for the fiscal year underway.

The fiscal year 2005 annual report has not been submitted by the Department.

- 2) Chapter 237.18(2)(b) of the Code of Iowa requires the Child Advocacy Board to accumulate data and develop an annual report regarding children in foster care.

The fiscal year 2005 annual report has not been submitted by the Department.

Recommendation – The Department should take steps to ensure compliance with the Code of Iowa.



Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2006

Response –

- 1) The Department acknowledges the Auditor’s comment and will reinstitute a written annual report effective for fiscal year 2007. For the past several years, emphasis has been placed on web site development and electronic communications with the Department’s constituents. Information previously reserved for the “printed” annual report (with very limited distribution) is now produced and distributed electronically by the Department on a regular basis to legislators, policy makers and the general public via the internet and email.
- 2) The Child Advocacy Board did not issue a report for fiscal year 2005 as disclosed in this comment. However, the information for the fiscal year 2005 report was collected as required and published in the report issued for fiscal year 2006.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2006

**Staff:**

Questions or requests for further assistance should be directed to:

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

Other individuals who participated on the audits include:

Tiffany A. Gossweiler, Staff Auditor  
Andrew N. Pulford, Staff Auditor  
Ryan J. Sisson, Staff Auditor  
Brian P. Schenkelberg, Assistant Auditor  
James R. Wittenwyler, Assistant Auditor