



OFFICE OF AUDITOR OF STATE
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NEWS RELEASE

FOR RELEASE _____

July 16, 2009

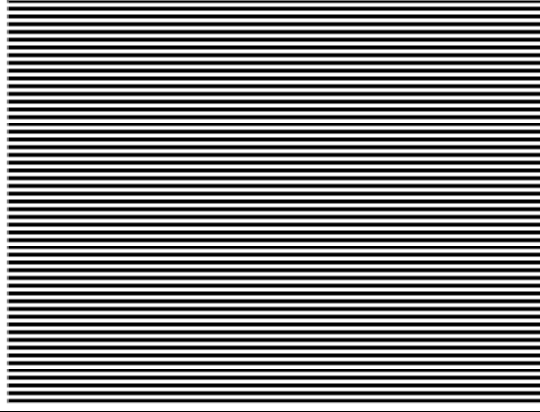
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Inspections and Appeals for the year ended June 30, 2008.

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.

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, 2008

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



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July 10, 2009

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, 2008.

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 a recommendation pertaining to the Department's 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.

The Iowa Department of Inspections and Appeals' responses to the findings identified in our audits are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Inspections and Appeals' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Inspections and Appeals, 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 7 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor
Director, Department of Management
Glen Dickinson, Director, Legislative Services Agency

June 30, 2008

Finding Reported in the State's Single Audit Report:

CFDA Number: 93.777 – State Survey and Certification of Health Care Providers and Suppliers

Agency Number: None

Federal Award Year: 2007, 2008

State of Iowa Single Audit Report Comment: 08-III-HHS-427-23

Reporting – The State Survey and Certification program is designed to provide financial assistance to any state which is able to determine providers and suppliers of health care services are in compliance with Federal regulatory health and safety standards and conditions of participation. Funds made available under this program are used to support or reimburse state staff for performing survey activities and for state administration of the program.

The Department prepares a Health Facilities Time Allocation report each pay period based on timesheets completed by employees. These allocations are subsequently summarized by activity code on a Health Facilities Allocation of Salaries and FTE report which determines the percentage of time spent on various federal programs. These percentages are used to allocate payroll and other monthly expenses from the Integrated Information for Iowa (I/3) system to the programs. Each quarter, the applicable monthly reports are compiled to prepare the quarterly report due to the Federal government.

The following items were noted:

- 1) For seventeen of the twenty-six pay periods tested, variances of the number of hours worked were noted between the Health Facilities Time Allocation report and the Health Facilities Allocation of Salaries and FTE Report.
- 2) For the month tested, the percentage allocation between various federal programs was unsupported for five of the eighteen expenditure classes tested.
- 3) For eleven of the twelve months tested, variances were noted between the monthly summary of expense report and expenses per the I/3 system.

Recommendation – The Department should review its procedures to ensure information used to prepare the quarterly reports are properly calculated and supported.

Response and Corrective Action Planned – The Department has recently experienced the retirement of staff who worked in this area for several years. There were no audit issues noted in the recent past in this critical area of the Department. However, existing records did not sufficiently document costs for reconciliation by the current state audit team. We have reviewed procedures and have put new processes in place to ensure regular reconciliation with the state accounting system detailed reports and information. The corrective plan targets March 1, 2009, for total compliance with this logical recommendation.

Conclusion – Response accepted.

June 30, 2008

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

- (1) Capital Assets – 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. Errors noted in the Department's vehicle depreciation schedule resulted in an understatement of accumulated depreciation by \$33,503.

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

Response – The Department has reallocated staff to allow more focus on capital asset accounting and has revised procedures and corrected a spreadsheet error. This should allow for more accurate record keeping in the future.

Conclusion – Response accepted.

- (2) Payroll – The Department processes and records payroll and personal information on the Human Resources Information System (HRIS). The Human Resources Associates utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises. Individuals at the Department have the ability to initiate and approve timesheets.

Recommendation – To strengthen controls, the Department should develop and implement procedures to segregate the duties of the Human Resources Associates from the duties of payroll.

Response – The Department does not have sufficient staffing levels to employ Human Resource Associates. We have one full-time Human Resource Manager who is a professional and a valued member of the departmental management team. She also has the primary responsibility for entering and approving P-1 documents because no other staff is available for this function. The other individuals in the Department with this authority are simply emergency back-up for the personnel officer. It is almost never required that these individual actually enter P-1 documents and would likely not be able to do so unless they were talked through the procedure by someone with more expertise. In addition, no payroll adjustments can be implemented without approval of DAS-HRE staff. Fiscal Services Bureau staff have unrestricted access to payroll records and on-line payroll and could easily determine if any irregularities existed. Under current procedures adopted after Fiscal Year 2007 audit recommendations, timesheets are not initiated and approved by the same individual even though the authority may exist for one person to do both due to the need for back-up personnel to ensure employees are paid timely and correctly.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

No matters were noted.

June 30, 2008

Finding Related to Statutory Requirements and Other Matters:

Operating Leases – The Department has leased various buildings for office space and storage. The Department is required to create and submit an annual GAAP Package each year to the Iowa Department of Administrative Services, GAAP Team, to assist in the creation of the State’s CAFR. The Department is required to report operating lease payments made during the year and document future lease obligations related to leases where the future obligation is greater than one year. Errors noted in the Department's operating lease schedule resulted in lease expense being overstated by \$2,780 and the future minimum lease payments understated by \$93,111.

Recommendation – The Department should implement procedures to ensure future lease payments and future lease obligations are accurately reported on the GAAP Package.

Response – The Department has worked with the auditor and adjusted this error so future lease obligations will be accurately reported.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2008

Staff:

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager
James R. Wittenwyler, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Tiffany M. Ainger, Staff Auditor
Brett C. Conner, Staff Auditor
Daniel W. Henaman, Assistant Auditor
Reza Sepehri, Assistant Auditor