



**OFFICE OF AUDITOR OF STATE**  
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NEWS RELEASE

FOR RELEASE

August 3, 2009

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Workforce Development for the year ended June 30, 2008.

The Iowa Department of Workforce Development is comprised of six divisions: Workers Compensation, Labor Services, Administrative Services, Labor Market and Workforce Information, Unemployment Insurance and Workforce Development Center Administration. 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.

Vaudt recommended the Department develop procedures:

- (1) To ensure balances on hand are sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.
- (2) To ensure the capital assets inventory is kept current and complete.
- (3) To ensure the GAAP Package is accurately completed and reviewed by management prior to submission.
- (4) To ensure compliance with Department of Administrative Services Policy 240.102 for personal service contracts.
- (5) To identify sensitive positions and ensure background investigations are performed during the hiring process.
- (6) To ensure necessary steps are taken to comply with the Code of Iowa or seek the repeal of outdated Code sections.

The report also includes the Department's responses to the recommendations.

A copy of the report is available for review at the Iowa Department of Workforce Development, 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 WORKFORCE DEVELOPMENT**

**JUNE 30, 2008**

— Office of —  
**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
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July 29, 2009

To Elisabeth Buck, 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 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 other recommendations pertaining to the Department's internal control, 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 Workforce Development's 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 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 10 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

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

**CFDA Number: 17.225 – Unemployment Insurance**

**Agency Number: UI14434QD, UI15121TM, UI15798XF, UI167461G**

**Federal Award Year: 2005, 2006, 2007, 2008**

**State of Iowa Single Audit Report Comment: 08-III-DOL-309-1**

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. As stated in the Cash Management Improvement Act (CMIA) Agreement, the Unemployment Insurance (UI) program is funded on a pre-issuance basis. This means federal draws are to be requested so they are not deposited more than three days prior to the date of disbursement.

A review of the Department's ledgers and cash management system identified one of thirty-three payroll draws for UI-Reed Act were not drawn within the proper time period. In addition, one of thirty-nine payroll draws for UI and five of thirty-three payroll draws for UI-Reed Act were deposited subsequent to the date of disbursement.

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

Response and Corrective Action Planned – From a federal level perspective, the results of the auditor's tests indicate the Department has done a very good job of ensuring funds are not requested or received far in advance of when those funds are necessary. This is substantiated by the fact only one draw was received too early. However, the Department also recognizes there were a few instances where the State was supporting the Unemployment and Reed Act funds, by carrying negative federal cash balances. There can be many reasons for this occurring, including illnesses here at the office that force cash to be drawn late, funds received but not actually credited to our account until after payroll has run and of course there's always human error involved in not requesting funds on time to ensure they are deposited before payroll runs. The Department will continue to strive to eliminate both early and late requests for funds and will document events that occur that may cause early or late requests. This will assist us in trying to determine what course of action to take to eliminate this from happening in the future.

Conclusion – Response accepted.



Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2008

**CFDA Number: 17.258 – WIA Adult Program**  
**Agency Number: AA13798PQ, AA14675RI, AA14675SS**  
**Federal Award Year: 2005, 2006**

**CFDA Number: 17.259 – WIA Youth Activities**  
**Agency Number: AA13798NZ, AA14675QY**  
**Federal Award Year: 2004, 2005**

**CFDA Number: 17.260 – WIA Dislocated Workers**  
**Agency Number: EM10885MR, EM15064RM, EM10882PU, EM14966PU, EM15014PU,**  
**EM15366SW, AA13798PS, AA14675RK, AA14675SU**  
**Federal Award Year: 2004, 2005, 2006**

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**  
**Agency Number: G-0401IATANF**  
**Federal Award Year: 2004**

**State of Iowa Single Audit Report Comments: 08-III-DOL-309-2 and 08-III-HHS-309-3**

Grant Management – The Office of Auditor of State conducted an investigation related to grants awarded by the Iowa Department of Workforce Development to the Central Iowa Employment and Training Consortium (CIETC) for the programs identified above. Disbursements to CIETC for the above programs for the grant period July 1, 2003 through September 30, 2005 totaled \$3,296,531. The investigation resulted in a report dated March 29, 2006 issued to the Director of the Iowa Department of Workforce Development and the Offices of Inspector General for the U.S. Departments of Labor and Health and Human Services. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State’s web site at <http://auditor.iowa.gov/reports/0614-1602-BOP0.pdf>. A settlement between the State of Iowa and the U.S. Department of Labor has been reached and payment of \$1,300,000 was made on May 29, 2008.

Response and Corrective Action Planned – Department response not requested.

June 30, 2008

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

- (1) Financial Reporting – Departments record receipts and disbursements on the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded on the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS–SAE) on a GAAP package. The GAAP package is to be submitted to DAS–SAE by the first week of September each year. The following items were noted:
  - (a) The delinquent employer contributions, penalty and interest receivable was understated by \$317,488 and the allowance for doubtful accounts was understated by \$222,294, a net understatement of \$95,194.
  - (b) The Trade Readjustment Assistance benefits payable was omitted from the GAAP package, resulting in a \$150,958 understatement of accounts payable.
  - (c) Carryforward adjustments for fiscal year 2009 totaling \$5,297,509 were not originally reported on the unearned revenue page of the GAAP package as required. Even though a revision was submitted to DAS – SAE for correction, a \$98,824 understatement of the carryforward adjustment remained.
  - (d) Nine of twenty-seven long-term rental leases in effect during fiscal year 2008 contain a clause specifying the Department is to pay a certain percentage of property tax due on the rental property as a part of the rental agreement. The property tax due was not included as part of the current year rental expense disclosed in the GAAP package or for the rental expense obligation for future years. Rental payments for fiscal year 2008 were understated by \$129,272 and future lease payments were understated by \$295,605.
  - (e) There were several other GAAP package pages with immaterial errors noted.

Recommendation – The Department should ensure the GAAP package information reported is complete and accurate.

Responses –

- a), b), and c) Additional time will be spent reviewing the GAAP package prior to submission. This finding will be reviewed with the person who prepared the section of the report, as well.
- d) IWD and the Office of Auditor of State had agreed to include property tax at the rate known at the time the schedule is prepared (current year). However, the employee who prepares the schedule annually retired, and a new employee began work as the schedule was being prepared. As a result, the property tax was overlooked. This finding will be reviewed with the person who prepared the section of the report and management will ensure the property tax is included in future years.
- e) Additional time will be spent reviewing the GAAP package prior to submission.

Conclusion – Responses accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2008

- (2) 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. The following were noted:
- (a) The Department did not reconcile capital asset additions to I/3 system expenditures. The following were noted:
    - (1) Four of seventy-five capital asset expenditures tested were coded to an incorrect expenditure object code. Two were incorrectly coded to an expenditure object code for non-inventory assets and two were incorrectly coded to an expenditure object code for inventory assets.
    - (2) Two of seventy-five capital asset expenditures tested greater than \$5,000 were not included on the capital asset listing.
  - (b) Two of ten capital assets observed at the Department had a value over the capitalization threshold of \$5,000 but were not on the Department's capital asset listing.
  - (c) Two of twenty-five capital assets tested for existence and two of eight capital asset additions did not include a State identification tag.
  - (d) Six of twenty-one capital asset additions did not have a State identification tag number assigned.

Recommendation – The Department should review capital asset policies and procedures to ensure a detailed, up-to-date capital asset listing is maintained. This includes ensuring capital asset additions are reconciled to I/3 system expenditures and all assets are properly accounted for and included on the capital asset listing. The Department should also ensure proper State identification tags are assigned and included on all asset additions.

Responses –

- a,1) The employee responsible for capital asset record keeping was off work for six months and then qualified for long term disability. A replacement was hired, but after several weeks on the job she was injured and has been absent since sustaining the injury. The result has been attempts by other employees to maintain the capital asset records on an intermittent basis. When the full time employee who is responsible for maintaining capital asset records returns, they will review records and reconcile with I/3 records.
- a,2) and b) When the full time employee who is responsible for maintaining capital asset records returns, the errors will be reviewed with them and capital asset expenditure coding and recording will be reviewed until it appears the coding problem has been corrected.
- c) When the full time employee who is responsible for maintaining capital asset records returns, the errors will be reviewed with them and capital asset expenditure recording will be reviewed until it appears the recording problem has been corrected. In addition, the capital asset policy will be reviewed with the management team, including field managers.

June 30, 2008

- d) It is our understanding these instances occurred in field offices. The capital asset policy will be reviewed with field managers and their supervisors. Also, we will look for tags on equipment additions during field office visits by fiscal and premises staff to ensure compliance.

Conclusion – Responses accepted.

**Other Findings Related to Internal Control:**

- (1) 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. The Department’s hiring procedures should include background investigations consistent with the sensitivity of the position.

Background investigations are not done as part of the employee hiring process.

Recommendation – The Department should develop procedures to identify sensitive positions and ensure background investigations are performed as part of the hiring process.

Response – The Department’s personnel officer will coordinate with the Iowa Department of Administrative Services (DAS) and implement a process to ensure that the proper background investigations are completed.

Conclusion – Response accepted.

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

- (1) Personal Service Contracts – Iowa Department of Administrative Services (DAS) Policy 240.102 provides general guidelines to be used by departments when entering into personal service contracts. The required procedures include obtaining a signed contract prior to the performance of the contracted services.

Nineteen of the twenty-five contracts tested were not signed by all parties prior to the contracted service starting date and one has not been signed to date.

Recommendation – The Department should ensure compliance with policies and procedures for service contracts established by the Department of Administrative Services.

Response – The Department will review the causes of the non-compliance and implement corrective procedures.

Conclusion – Response accepted.

- (2) Iowa Code Compliance – The following compliance items were noted for fiscal year 2008.

- (a) Iowa Conservation Corps – Chapter 84A.7 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 state. The Department is to administer the corps and the Iowa conservation corps account.

This program and the account are currently inactive.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2008

- (b) Statewide Mentoring Program – Chapter 84A.9 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 states the Department shall implement and administer a new employment opportunity program to assist individuals in under-utilized 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 twelve and twenty-five, to gain and retain employment.

This program is currently inactive.

Recommendation – The Department should take the necessary steps to ensure compliance with the Code of Iowa or the Department should seek the repeal of outdated Code sections.

Response – The Department will work with its Legislative Liaison to make the Code of Iowa corrections a priority for the 2010 legislative session

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2008

**Staff:**

Questions or requests for further assistance should be directed to:

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