FISCAL UPDATE July 20, 1999

 Legislative Fiscal Bureau (515) 281-5279 FAX 281-8451

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Department of Human Services Section 8.39 Appropriations Transfer

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**Appropriations Transfer** On July 2, 1999, the Legislative Fiscal Bureau received notice for a proposed Department of Human Services transfer of funds under Section 8.39, Code of Iowa. The transfer amount is $400,000 from the Medical Assistance Program appropriation to the State Cases Program appropriation, also in the Department of Human Services.

**Reason For Transfer** According to the transfer notification, the transfer is necessary due to the higher than anticipated caseload of persons with mental retardation or mental illness who do not have a county of legal settlement and, therefore, receive state funded mental health services. The State Cases Program also received an appropriations transfer of $1.9 million in May 1999 to fund the greater than anticipated caseload. The May transfer consisted of $1.0 million transferred from the Medical Assistance Program appropriation and $0.9 million transferred from the Field Operations appropriation.

**Expenditures Monitored** The Fiscal Bureau will continue to monitor the expenditures in the Department of Human Services and will provide updates to members of the General Assembly.

STAFF CONTACT: Deb Anderson (Ext. 16764) Sue Lerdal (Ext. 17794)

Department of Corrections Appropriations Transfers

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 **Appropriations Transfer** The Department of Corrections has notified the Legislative Fiscal Bureau that appropriations transfers are being made as provided by Sections 8.39 and 904.116, Code of Iowa. Funds from the Ft. Dodge Correctional Facility will be transferred as follows:

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| --- | --- | --- | --- | --- | --- |
|  | **Recipient** |  | **Amount** |  | **Explanation** |
|  | Central Office |  |  $175,000 |  | Relocation of the Central Office to new office space, ICN connections, office furniture, and office partitions. |
|  | Rockwell City |  |  $250,000 |  | Costs from the increased number of inmates and additional inmate jobs. |
|  | Mitchellville |  |  $505,000 |  | Costs for housing inmates out-of-state. |
|  | Oakdale |  |  $100,000 |  | Purchase of a Y2K compliant pharmacy system. |
|  | Total  |  | $1,030,000 |  |  |
|  |  |  |  |  |  |

**Funds Available** Funds were available from the Ft. Dodge Correctional Facility due to transferring inmates to the facility at a slower rate than scheduled, delays in purchases, and temporarily vacant positions created by turnover among staff with little accumulated vacation.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561) Christina Schaefer (Ext. 16301)

Machinery, Equipment, and Computers Property Tax Replacement



**M & E Property Tax** On July 12, an updated estimate of the cost of the property tax replacement associated with the phase-out of property tax on machinery, equipment, and computers (M & E) was presented to the Fiscal Committee. Currently, M & E property that existed in 1994 is subject to tax on 30% of its acquisition cost. All M & E property acquired since January 1, 1995, is exempt from property tax.

**Replacement Funds Reduced** Beginning with assessment year 1999 (FY 2001) the percentage of value of pre-1995 M & E property subject to tax decreases to 22%, and over the subsequent three years, the percent of value subject to tax decreases to zero. To compensate local jurisdictions for the loss of property tax revenue, replacement funds are provided from the State General Fund through FY 2006. However, beginning with assessment year 2000 ( FY 2002), the amount of State property tax replacement funds paid to local jurisdictions is reduced to the extent that growth in the value of commercial and industrial property offsets the decrease in M & E property value since assessment year 1994.

**Payments to Local Govt.** During the first three years of property tax replacement, State payments to local jurisdictions have equaled $6.9 million in FY 1997, $11.2 million in FY 1998, and $17.1 million in FY 1999. The revised estimate for the remaining seven years of the program are:

 FY 2000 $21.0 million

 FY 2001 $39.5 million

 FY 2002 $15.5 million

 FY 2003 $19.7 million

 FY 2004 $22.0 million

 FY 2005 $20.2 million

 FY 2006 $18.5 million

**Fiscal Comm. Presentation** Also, at the June Fiscal Committee meeting, Tracy Kasson, Iowa League of Cities, spoke. She indicated some local units of government feel the existing property tax replacement program is inadequate. She stated the amount of growth in commercial and industrial property has not been even across the State since the M & E property tax exemption was passed. As a result, the Legislature may be asked to revisit the length of time that property tax replacement is provided under current law.

STAFF CONTACT: Mike Lipsman (Ext. 17799)

Legislative Oversight Committee Meeting

**Oversight Committee** The Oversight Committee met June 29, in Room 118 of the State Capitol Building.

**Discussion** The Committee heard presentations on and discussed the following:



* Douglas Wulf, Legislative Fiscal Bureau (LFB), presented an update on the Item Veto to HF 762, Oversight and Communications Appropriations Act, and the progress being made to have Iowa Telecommunications and Technology Commission utilize the Iowa budget and accounting systems in a manner that matches their lines of business.
* Lori Fye, Computer Technology Associates (CTA), Inc., gave a report on verification and validation of the Board of Regents Year 2000 programming efforts.
* Charles Wright and representatives of all Board of Regent Institutions reported on the status of the Board Of Regents progress on resolving the Year 2000 computer programming problems.
* Paul Carlson, Year 2000 Project Office, gave a status report from the Executive Branch Year 2000 Project Office on the efforts to resolve the Year 2000 computer programming problems including financial and embedded chip reports.
* David Miller, Emergency Management Division, Department of Public Defense, reported the status of the Emergency Management Division, Department of Public Defense, on the Year 2000 Contingency Planning.
* The request from the Emergency Management Division that a Legislative Year 2000 Contingency Plan be developed by Glen Dickinson. (See motion related to this issue for consideration by the Legislative Council below.)
* Rich Varn, Information Technology Services Division, Department of General Services, gave a status report on the efforts of the Transition Team for the creation of an Information Technology Department, a report from Lucent Technologies on the Iowa Communications Network movement to ATM and Video Network Assessment, and an update on the progress of IowAccess.
* Tommy Thompson, Iowa Communications Network (ICN), gave a status report from ICN on their perspective of the efforts of the Transition Team, ATM conversion, Universal Services Fund, and the monthly financial report. (See motion related to the Universal Services Fund for consideration by the Legislative Council below).

**Requests to Council** The Committee adopted the following two requests to the Legislative Council. The Council reviewed the requests, amended the second to read as presented, and adopted the requests at its meeting on June 30.

* The Legislative Oversight Committee requests the Legislative Council to authorize the Legislative Oversight Committee to develop and recommend a legislative contingency plan associated with the implementation of the century date change programming (Y2K).
* The Legislative Oversight Committee requests the Legislative Council to endorse the Iowa Telecommunications and Technology Commission (ITTC) payment of funds into the Federal Communications Commission’s Universal Services Fund that are in dispute due to the ruling that the ITTC does not qualify as a common carrier which is eligible to receive reimbursement.

STAFF CONTACT: Douglas Wulf (Ext. 13250) Glen Dickinson (Ext. 14616)

Legislative Fiscal Committee Meeting

**July Meeting** The Legislative Fiscal Committee met on July 12 at Hawkeye Community College. The Committee heard presentations from:



* Dennis Prouty, Director, Legislative Fiscal Bureau (LFB), concerning the State General Fund revenues and built-in increases.
* Mike Lipsman, LFB, concerning machinery and equipment property tax replacement. Tracy Kasson, Iowa League of Cities, presented information on the impact of machinery and equipment property tax changes.
* Gordy Allen, Attorney General’s Office, on the tobacco settlement.
* Elllen Gordon on recent presidential disaster declarations in Iowa.
* Dale Farnham, Agronomy Specialist, Iowa State University Extension Service, concerning the impact of the spring and early summer rains on the crops.
* Gene Gardner, Iowa Association of Community College Trustees, and the Iowa Association of Community College Presidents, made a presentation on community college issues.
* Mary Lawyer, Department of Economic Development, and Jane Barto and Pat Sampson, Department of Workforce Development, presented information on job retraining and recruitment programs in Iowa.
* Jeff Robinson, LFB, presented information on the administrative rules for the Accelerated Career Education Program.
* Tom Jordan, Department of General Services and Bill Anderson of Brooks, Borg, Skiles Architecture Engineering Group made a presentation on the Capitol Complex Master Plan.
* Glen Dickinson, LFB, provided a status update on the Iowa Interactive contract with the State. Iowa Interactive provides Internet development services.

**Tour** The Committee toured the Hawkeye Center for Business and Industry and heard presentations on the history of the Center, funding, and future plans. Representatives of two local businesses also discussed their involvement with the Center.

**Next Meeting** The next meeting is tentatively scheduled for August 25 in Clarinda, Iowa. A tentative agenda will be distributed when it is available.

STAFF CONTACT: Holly Lyons (Ext. 17845) Tim Faller (Ext. 14615)

Environmental Protection Commission Holds Meeting

**Commission Meeting** The Environmental Protection Commission met June 21 in Des Moines for their monthly meeting. There were a number of presentations, which included:



* Paul Johnson, Department Director, talked briefly about water quality issues, which included an update on the implementation of Total Maximum Daily Loads (TMDL), a federal government requirement. The Department of Natural Resources will be meeting with the federal Environmental Protection Agency to discuss the TMDL program the week of June 28.
* Roya Stanley, Administrator of the Waste Management Division, discussed a number of items. Included was the approval of two contracts to clean up waste tire stockpiles in Webster County and Benton County. The Commission approved the contracts. Other waste management issues included the announcement of the Toxic Cleanup Day schedule for the fall and the announcement of a Household Hazardous Waste Materials Programs Advisory Committee.
* Mike Valde, Administrator of the Environmental Protection Division, made a number of presentations. Included was the distribution of the Hazardous Waste Remedial Fund Annual Report to Commission members. The Commission approved an agreement with the Department of Economic Development that funds the Small Business Liaison for Air Quality, an information service for small businesses that have questions on air quality regulation.
* Lyle Asell, Special Assistant to the Director, presented an overview on the hypoxia problem in the Gulf of Mexico. There are areas in the Gulf where oxygen levels have declined, having a negative impact on the development of aquatic life. The oxygen levels begin to decline in the spring and do not return to normal levels until the fall. The Environmental Protection Agency has completed an assessment of the area and has determined that one source of the problem is increased levels of nitrates in the Mississippi River basin. Principal sources of nitrates are from the agriculture states of Minnesota, Iowa, Illinois, Indiana, and Ohio. The Environmental Protection Agency is recommending that these states reduce **nitrate-nitrogen loads to surface water, groundwater, and the Gulf of Mexico. Methods include reduction of fertilizer application, crop rotation, increased spacing of subsurface drains, and restoration of wetlands.**

STAFF CONTACT: Deb Kozel (Ext. 16767)

June Council on Human Services Meeting



**Council Meeting** The Council on Human Services met June 9 and conducted the following business:

* Approved changes in administrative rules for:

Food Stamp policies.

Child Care eligibility.

Emergency Food Assistance Program eligibility.

Medicaid eligibility for children.

Drug Prior Authorization Program.

* Changes in reimbursement rates for Medicaid providers, foster family homes and adoptive homes, and purchase of service/rehabilitative treatment services.
* Terms of office for the Medical Assistance Advisory Council members.
* Seamless child care guidelines and fees.
* Child care funding for empowerment areas.
* Received an update on juvenile detention reimbursements.
* Received an update on the Civil Commitment Unit for Sexual Offenders Program.
* Received an update on the Teen Pregnancy Prevention Program.
* Received an update on the Child Abuse Program.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Deb Anderson (Ext. 16764)

Department of Commerce - Alcoholic Beverages Division Commission Meeting

**Commission Meeting** On June 29, the Alcoholic Beverages Division held a commission meeting at the Division’s office in Ankeny.

**Scanner Purchase** One topic of discussion included the Jones Company purchase of scanners. The Jones company is a contractor for the Division and the purchase of the scanners is estimated to save the Division approximately $30,000 to $35,000 over the next five fiscal years in supply and printer costs. The new scanning system will be operational by July 12. A tour of the new scanning system will be given during the next commission meeting on September 14.

**Year-to-date Sales** Year-to-date sales through the end of May are approximately $90.0 million, approximately $3.7 million (4.3%) over projection. Of this amount, approximately $29.3 million will be deposited in the General Fund, an increase of $1.2 million (4.4%) over projections.



 **Year 2000**

**FY 2000 Appropriation** The Division received an appropriation of $1.5 million and 24.0 FTE positions in Senate File 460, Administration and Regulation Appropriations Act, a decrease of $23,000 and 1.0 FTE position compared to estimated FY 1999. Senate File 460 also established a new appropriation of $37,000 to the Alcoholic Beverages Education Fund. This Fund will help educate Iowans on the proper use of alcoholic beverages. However, the Act required that funds in the Alcoholic Beverages Civil Penalties Fund revert to the General Fund at the end of FY 1999 and be earmarked for special projects dictated in the Act. The special projects in order of priority are:

* Funding for the State Strategic Plan in the Department of Management ($30,000).
* Funding for carpet and drapes in the Office of the Treasurer ($25,000).
* Funding for technology upgrades in the Office of the Governor ($45,000).

**Civil Penalties Fund** The Division reported that at the time of the pending legislation, they froze spending in the Civil Penalties Fund. However, due to fines received that are less than projected and an outstanding expense that was not known to the Legislature at the time, the total amount of the Civil Penalties Fund that will revert to the General Fund is estimated to be approximately $97,000. As a result, the first two priorities will be fully funded while $42,000 will be available for technology upgrades in the Office of the Governor.

**Next Meeting** The next Alcoholic Beverages Commission Meeting is scheduled for 10:00 A.M. on September 14, at the Division’s office in Ankeny.

STAFF CONTACT: Shawn Snyder (Ext. 16765)

Iowa Seed Capital Corporation Liquidation Meeting



**Board Meeting** The Iowa Seed Capital Corporation Liquidation Board met July 8. The Board was created by SF 2296, 1998 Economic Development Appropriations Act. The Board’s purpose is to liquidate the assets held by the Iowa Seed Capital Corporation in a manner which maximizes return to the State and minimizes negative impacts on the companies in which the Corporation is invested.

**Board Action** The Board voted to transfer $377,000 from the Corporation’s cash balance to the Department of Economic Development’s Strategic Investment Fund. This brings the total amount transferred to date to $1.1 million. The Fund has also received some revenue from royalty and loan payment rights transferred by the Corporation.

**Financial Position** After the transfer, the Corporation cash balance is approximately $1.0 million and the remaining non-cash assets are valued between $2.0 million and $4.0 million. The majority of the asset value in the portfolio is in the form of stock or stock options in two companies, McLeod USA, Inc. (Nasdaq symbol: MCLD) and SalesLogix, Inc. (Nasdaq symbol: SLGX). The stock owned by the Corporation in both companies may not be sold until the end of 1999. The final value will not be known until the time of sale.

STAFF CONTACT: Jeff Robinson (Ext. 14614)

Iowa Telecommunications and Technology Commission (ITTC) Meeting



**ITTC Commission** The Iowa Telecommunications and Technology Commission met July 14 at Iowa Public Television. The Commission dealt with the following major issues:

* Proposed a rate increase for FY 2001 of 5.0% for use of video usage on the Iowa Communications Network (ICN). The Commission is required to establish rates each September for the following fiscal year to allow users (especially educational users) to build any rate increases into their budgets. The current and proposed rates are as follows:



* Discussed and made appointments to the Library Network Advisory Council.
* Discussed and approved membership in a new Telejustice Advisory Council.
* Received reports from ICN Division Administrators in the areas of Finance, Operations, and Engineering. The Finance Division Director presented information on the preliminary end-of-year financial status showing that as of June 30, the ICN had $354,000 remaining to pay bills for obligations in FY 1999. This will be sufficient to result in a break-even budget when the amounts encumbered for equipment purchases and services are paid.

**Next Meeting** The next meeting of the Commission will be September 8, at Camp Dodge. At that meeting, the Commission will allow testimony from any authorized user group related to the proposed rate increase and determine the rate increase for FY 2001.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Audit Report - Department of Commerce

**Audit Report** The annual report for the Department of Commerce for FY 1998 has been received by the LFB. The Auditor of State made one finding related to internal control.



**EDP Controls *Electronic Date Processing (EDP) Controls*** – The Department provides data processing for the liquor order entry system, the perpetual inventory system for liquor and the licensing function for the Alcoholic Beverage and the Professional Licensing Divisions. EDP controls influence the accuracy and reliability of data. Effective controls include a written plan of organization with clear assignments of authority, responsibility, and security, as well.

**Conditions Noted** The following conditions related to the Department’s segregation of EDP duties were noted:

* The Department has three Information Technology Specialist 4 positions and one Information Technology Specialist 5 position whose duties include system analysis, programming and program analysis. The job performance plans do not clearly identify separate assignments of responsibility for these functions.
* EDP staff have been allowed access to correct user input errors.
* EDP staff making program modifications were not prevented from placing the program in operation.

**Weaknesses Noted** The following weaknesses in the Department’s computer-based systems were noted:

* The Department does not have written policies for:

 Password privacy and confidentiality.

 Ensuring that only software licensed to the Department is installed on computers.

 Acceptance testing of new programs purchased from a vendor or a uniform system change policy for all changes that are made to existing programs.



 Requiring that software developed by the programmers is the property of the State.

* The Department does not require back-up tapes to be stored off site in a fireproof vault. Currently, back-up tapes are maintained on the premise in a fireproof vault. Copies of all user policies and procedures manuals have not been located off site.
* Recommendation – The Department should establish procedures and update the EDP standard manual to require improved segregation of EDP duties. Also, the Department should develop written policies addressing the items above in order to improve the Department’s control over computer based systems. Back-up tapes, as well as copies of user’s policies and procedures, should be stored off site in a fireproof vault.
* Response – The functional responsibilities are required to be very similar for the three Information Technology Specialist 4 positions and one Information Technology Specialist 5 position. Data processing staff is allowed to correct user input due to the safeguards that have been placed into operation to prohibit potential misuse on the user end. These safeguards prevent users from making certain changes to files without causing other errors to occur. In order to prevent these errors, occasionally the data processing staff is asked by the user to make the necessary corrections to the files. These requests for corrections are documented to show that they have been made and for what reason. The Department has not come up with a better solution to this problem.

The Department’s operation area must run every weeknight in order for the divisions to be able to perform their duties the following day. Therefore, the Information Technology specialists are required to be able to back up the operations area. This would occasionally cause a problem with the person making the program modification to be the one to place program modifications into production.

Also, the Department will establish written policies for the computer-based systems mentioned in the audit recommendation, and look into storing back-up tapes off site.

* Conclusion – Response acknowledged. The Office of the Auditor realizes that with a limited number of employees, segregation of duties is difficult. The Department should continue to review its control procedures to ensure maximum internal control under the circumstances.

STAFF CONTACT: Shawn Snyder (Ext. 16765)

AUDIT REPORT - DEPARTMENT OF HUMAN RIGHTS

**Audit Report** The Office of the Auditor of State issued the FY 1998 Audit Report for the Iowa Department of Human Rights (DHR) on June 30, 1999.

**Exceptions** The following are the audit exceptions, DHR response and corrective actions to be taken. The exceptions included:



**Subrecipient Monitoring Subrecipient Monitoring –** The approved State Plan requires the Department to monitor subgrantee community action agencies (CAAs) on a regular basis to ensure program and fiscal compliance. On-site visits are to be conducted throughout the program year.

* Findings – The Auditor reviewed the Department’s monitoring files and noted that 11 of 18 CAAs were not visited for program monitoring during the program year. Of the eleven CAAs not visited, one had not been visited in the preceding three years and two had not been visited the preceding year. In reviewing the Department’s program monitoring file, there was sufficient documentation of the results of the monitoring visits was not maintained for 3 of 7 years made during the year.
* Recommendation – The Department should ensure on-site visits are made on a regular basis in accordance with the State plan. The Department should also ensure sufficient documentation is maintained in the program monitoring files.
* Response and Corrective Action Planned – Community Action Agencies and their respective outreach offices are visited throughout the LIHEAP program year, although not all visits are documented in the Department files. These visits will be documented in the future. All subgrantees are fiscally monitored on-site annually; the State auditors have reviewed these files. The response was acknowledged. The results of program monitoring should be documented, in addition to documenting the on-site visits have been made.



**Cash Management Cash Management** – The Common Rule requires grantees to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantee, whenever funds are advanced by the federal government.

* Findings – The Office of the Auditor of State’s testing of the fiscal activity for the Low-Income Home Energy Assistance Program (LIHEAP) indicated excessive balances for the period September 1997 through March 1998. In September 1997, a refund check was received by the LIHEAP program, and due to human error was not added to the balance of funds on hand after it was deposited by the State. Due to the rapidity and overlap of drawing down funds and making expenditures, the error was not discovered until March 1998. At the time the error was adjusted and subsequently there has not been an excessive level of LIHEAP funds on hand.
* Recommendation – The Department should closely monitor its cash management procedures to ensure compliance with federal guidelines.
* Response and Correction Action Planned – The levels of federal dollars on hand at the state are monitored numerous times each week as expenditures are made and funds are drawn down from the U.S. Treasury. Funds are not requested from the federal government until claims vouchers are prepared within Human Rights and sent to the Iowa Department of Revenue and Finance for warrant issuance.

A second level of monitoring cash balances has been established within the agency since the discovery of the oversight in March 1998. It is detailed in the written procedures written in accordance with the CMIA agreement. The response was accepted.

**Requirements Subrecipient Cash Management** – The Common Rule requires grantees to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the grantee, whenever advance payment procedures are used. Grantees are to monitor the cash drawdowns by their subgrantees to assure that they conform to the same standards.



**Department Procedures** The Department’s procedures require subrecipient CAAs to submit monthly cash reports based on their actual and estimated expenditures. The Department monitors advances and payment requests to the 19 CAAs.

* Findings – The Auditor of State reviewed a total of seventy-four cash reports for this requirement. For seventeen of the cash reports reviewed, (eleven LIHEAP and six Home Energy Assistance Program (HEAP)) the month end cash balances and requests for funds were not expended within the next month. In addition one HEAP report could not be located.
* Recommendation – The Department should continue to closely monitor its cash management procedures to ensure compliance with federal guidelines.
* Response and Corrective Action Planned – (A) For LIHEAP, ten reports spread over three community action agencies (approximately three per agency) showed these three agencies had excessive funds on hand during the program year.

Since the exit conference with the State Auditors last year, the LIHEAP staff has revised their cash advance procedures. They now require additional documentation that itemizes the expenditures in certain budget categories that will be paid with the advanced funds.

The Office of the Auditor of State has calculated the level of funds on hand May 1998 when procedures were revised. The calculations show no excessive funds on hand since that date. The Auditors feel that these actions have corrected the problem.

1. For HEAP, six reports spread over two community action agencies (approximately three per agency) showed these two agencies had excessive funds on hand during the program year.

The Weatherization staff revised their cash advance procedures April 1, 1998. They now require additional documentation that itemizes the expenditures in certain budget categories that will be paid with the advanced funds.

The Auditor of State has calculated the level of funds on hand April 1998 when procedures were revised. The calculations show no excessive funds on hand since that date. The Office of the Auditor of State feels that these actions have corrected the problem. The response was accepted.

**Commission/Council Mtgs. Commission and Council Meetings** – The Iowa Department of Human Rights includes eight councils and commissions as established under Chapter 216A of the Code of Iowa.

**Statutory Requirement** Chapter 69.15 of the Code of Iowa states that an appointed person to a Commission is deemed to have submitted a resignation from office if they do not attend three or more consecutive meetings.

* Findings – The Commission of Community Action Agencies, the Commission on the Status of Women, the Commission of Persons with Disabilities, the Juvenile Justice Planning Advisory, and the Commission on the Status of African-Americans had members who did not comply with the attendance requirements in Chapter 69.15 of the Code of Iowa.

The minutes for the Commission on Status of African-Americans and the Commission of Latino Affairs did not indicate the vote of each Commission member present as required by Chapter 21.3 of the Code of Iowa.

#### Recommendations

* Recommendations – The Department should continue its efforts to encourage member attendance. In addition, Commissions should ensure that the vote of each board member is documented.
* Response – The division administrators as well as the commission and council chairpersons for each division will be notified again of the necessity to have meeting minutes reflect the vote of each member present.

Letters from the division that are sent to the Governor’s Office appraising them of commission/council members not meeting the minimum attendance requirements established by Code will be on file in the department. The auditors will have the opportunity to review these letters. The response was accepted.

**Administrator Evaluations Administrator Evaluations** – Chapter 216A.2(8) of the Code of Iowa requires the director to annually evaluate each division administrator after receiving recommendations from the appropriate councils or commissions, and submit a written report to the Governor and the commissions.

* Findings – This Report had not been accepted.

**Recommendation**

* Recommendation – The Director should prepare the annual evaluations and submit an annual report in compliance with the Code of Iowa.
* Response – The new director who started her employment with the Department February 5, 1999, is beginning this process. She appraised the division administrators of this at a February 22, 1999, DHR meeting. The response was accepted.

**Year 2000 Y2K Progress** – Computer systems and many other types of electronic equipment are dependent upon date-sensitive coding to function correctly. However, many of these systems and equipment use only two digits to identify the year in and date and are therefore unable to distinguish between the year 2000 and the year 1900. If left uncorrected, this could cause disruption of government services.

**Project Phases** State Officials have established a Year 2000 Project Office located within the Department of Management (DOM) to oversee the steps being taken to address this problem for the State of Iowa. Six basic phases have been identified in the process: assessment, conversion, testing, implementation, validation, and contingency planning. An initial assessment of software has been conducted. Information Technology Services staff and consultants are performing the conversion, testing and implementation phases of the process. The Iowa Department of General Services has contracted with Computer Technology Associates (CTA) to perform the validation phase and to monitor progress. The process is expected to be completed by December 1999.

* Findings – The Iowa Department of General Services is evaluating firmware (electronic equipment with embedded chips). An initial assessment was completed in the fall of 1998 and certification testing will be performed for critical equipment. The process is expected to be completed for critical equipment by December 1999.

**Recommendation**

* Recommendation – The Department should continue to work with the Year 2000 Project Office to monitor the progress and completion dates so that essential equipment and systems function properly in the year 2000.
* Response – The Department is continuing to work with DOM’s Year 2000 Project Office and CTA. CTA has assessed our Department’s software and hardware; all hardware and over-the-counter software had been upgraded or disposed of if not Y2K compliant. All Department databases, however small, are being converted to Microsoft Access by private contractors and should be Y2K compliant by July 1999.

Human Rights is also participating in the State Y2K Working Group. This group is comprised of staff members from all State agencies, and is coordinated by the Emergency Management Division of the Iowa Department of Public Defense.

All departments including DHR have reviewed their functions to determine the criticality of each. DHR contingency operating plans have been devised for the few agency functions that if delayed for a short time period due to Y2K non-compliance could result in the loss of life or property. DHR’s plan as well as those of other departments will be included in the State plan that will be submitted by Emergency Management to the Governor’s Office.

The Auditor of State believes this State working group will continue to meet throughout the 1999 calendar year to explore any Y2K issue or area of concern that may impact Iowans. The response was accepted.

STAFF CONTACT: Jennifer Dean (Ext. 14613)

Audit Report - Iowa Sewage Treatment Works Financing Program

**Audit Report** The State Auditor issued the FY 1998 Audit Report for the Iowa Sewage Treatment Works Financing Program on June 4, 1999. The report was received by the Legislative Fiscal Bureau in July.



**Background**  The Iowa Sewage Treatment Works Financing Program was created by the State in 1988 to implement the provisions of the federal Water Quality Act of 1987. The Act authorizes capitalization grants from the Environmental Protection Agency to states for the construction of wastewater treatment facilities. States are required to provide at least 20% in matching funds. The Program is the joint responsibility of the Iowa Finance Authority and the Department of Natural Resources.

**Reportable Conditions *Reportable Conditions* -** The Report indicated there were no reportable conditions noted in the financial reporting and operation of the Iowa Sewage Treatment Works Financing Program. The report also indicated the Program complied with all federal requirements.

**More Information** For more information on these comments, please contact the Legislative Fiscal Bureau.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Department of Commerce - Credit Union Division Retains two Full-time EQUIVALENT (FTE) Positions

**Positions Retained** On June 10, the Department of Management granted approval for the Department of Commerce’s Credit Union Division to retain two Credit Union Examiner-3 positions that will exceed the number of FTE positions authorized by the General Assembly during the 1999 Legislative Session. The positions had been eliminated in Senate File 460, Administration and Regulation Appropriations Act, because the positions had remained vacant for at least 30 consecutive pay periods. The Department of Management indicated that the approval was in accordance with Section 533.67(32), Code of Iowa. The approval was conditioned on any additional revenues necessary to fully fund these positions will be collected from credit unions being regulated and will totally reimburse the General Fund for expenditures related to these additional positions.

**Justification for Positions** In a letter dated May 25, 1999, the Credit Union requested approval from the director of the Department of Management to retain the two positions. The Division justifications include the following:

* Two Division employees have demonstrated the skills to advance to the vacant two Senior Examiner-3 positions and will be promoted to fill the positions shortly. If the two Examiner-3 positions are eliminated, it will be necessary to lay off these experienced examiners or downgrade them.
* Technical training for new examiners takes approximately 24 to 30 months. Due to high turnover within the Division the last 18 months, laying off two experienced examiners would reduce the Division’s proficiency below an acceptable level. This would also jeopardize the Division’s Accredited Agency status received in 1996 from the National Association of State Credit Union Supervisors.
* A reduced examination staff, combined with a high number of new, inexperienced examiners, could diminish the Division’s ability to accomplish a safe and sound examination of each credit union within the mandated frequency of one examination during an 18-month period, which would violate section 533.6(2), Code of Iowa.
* The reduction of the two positions occurs at a time when the Division needs to maintain an experienced examination staff capable of monitoring Iowa credit unions for Year 2000 preparedness. Failure to have an adequate staff to fulfill this responsibility may cause problems to go undetected in Iowa credit unions and result in a disruption in the level of financial services being provided citizens of this State.

The number of FTE positions that are now being made available to the Credit Union Division for FY 2000 total 19.0, which is no change compared to estimated FY 1999.

STAFF CONTACT: Shawn Snyder (Ext. 16765)

Chronic Renal Disease Program Reduces Reimbursement Rate



**Reimbursement Rate** The Iowa Department of Public Health has recently notified clients of the Iowa Chronic Renal Disease Program that expenditures for services obtained in June 1999 will not be reimbursed. As of June 8, 1999, 97.0% of the FY 1999 appropriation had been expended and the Department is continuing to receive FY 1999 claims dating back as far as July 1998.

**Rate History** Senate File 2280, FY 1999 Health and Human Rights Appropriations Act, allocated $738,000 for the Chronic Renal Disease Program and included language prohibiting Program expenditures from exceeding the allocation. Eligible expenses were reimbursed at 100.0% from July 1, 1998, through February 11, 1999. From February 12, 1999, through May 31, 1999, expenses were reimbursed at 50.0%. The average for FY 1999 is 75.0%, which is similar to the average FY 1998 rate of 76.0%.

**Percentage Change** The following chart details the average reimbursement percentage from FY 1992 – FY 1999.

**FY 2000** Beginning July 1, 1999, the FY 2000 allocation for the Program will be available to reimburse expenses occurring after June 1999. Depending on the client’s financial status, claims will be reimbursed at 100.0% or 50.0% for the first six months of FY 2000.

STAFF CONTACT: Valerie Thacker (Ext. 15270)

Iowa Communications Network (ICN) Video Classrooms



**ICN Classrooms** The Iowa Communications Network (ICN) added two interactive video classrooms during the first half of July at Sac City Public Library and Newton Correctional Facility. This brings the total number of classrooms to 671. The total number of classrooms that will be included in the Network at the end of the Part III build out is estimated at over 700. This will include multiple classrooms at several authorized sites. The table below presents the current distribution of sites by type of authorized user.

**IOWA COMMUNICATIONS NETWORK**

|  |  |
| --- | --- |
| Area Education Agencies | 16 |
| Community Colleges | 96 |
| K-12 School Districts | 355 |
| Other Education | 7 |
| Libraries | 28 |
| Medical Facilities | 8 |
| Private Colleges | 17 |
| Regents Institutions | 25 |
| National Guard | 56 |
| State Agencies | 44 |
| Federal | 15 |
| Miscellaneous | 4 |
| Classrooms Total | 671 |

**Website** This information is updated weekly and is available on the Internet at <http://www.icn.state.ia.us/about/clickmap/clickmap.htm>**.** If you would like a copy of the full list of sites and their locations and do not have access to the Internet, you may contact the LFB and request a copy.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Weekly Medical Assistance Program Expenditures in the Department of Human Services



**Medical Asst. Program** For the week ending June 21, 1999, FY 1999 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $11.5 million (75.2% of budget). This is $3.8 million below the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $351.0 million, which is $4.7 million (1.3%) above the amount budgeted for the fiscal year-to-date.

**Expenditures Monitored** The LFB will continue to monitor Medical Assistance Program expenditures and will provide regular updates to members of the General Assembly. More information is available from the Fiscal Bureau.

STAFF CONTACT: Deb Anderson (Ext. 16764)