FISCAL UPDATE July 27, 2000

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

Department of Public Safety Appropriation Transfer

**Appropriation Transfer** The Legislative Fiscal Bureau received notice of a proposed appropriation transfer under Section 8.39, Code of Iowa.

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**Reason For Transfer** The State Fire Marshal’s Office will have two retirements effective June 30, 2000. The estimated sick leave and vacation payout costs are anticipated to be $152,700. This cost is expected to create a budget shortage in the State Fire Marshal’s Office. The Department of Public Safety is proposing to transfer $152,000 from several divisions within the Department to offset this cost:

* Division of Criminal Investigation (DCI): $130,000
* Division of Administrative Services: $ 12,000
* Division of Capitol Police: $ 10,000

**Funds Available** The funds are available to transfer due to a freeze on discretionary spending to meet the potential retirement obligations across all divisions within the Department. Additionally, the DCI only experienced one retirement, which permitted funds to be transferred to the State Fire Marshal’s Office.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

THE IOWA DEPARTMENT OF REVENUE AND FINANCE FILES RULES TO COLLECT AN ADMINISTRATIVE FEE ON LOCAL OPTION SALES AND SERVICEs TAXES

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 FEE

**New Administrative Fee** The Department of Revenue and Finance is imposing a fee for FY 2001 to recover the direct costs of administrating local option sales and services taxes. The total cost recovery is estimated to not exceed $397,000. The Department intends to recapture the cost on the basis of the number of times the county appears on the returns processed by the Department during FY 2001. The Department estimates the fee to be approximately $0.65 per return.

**Taxes Processed** The Department estimates that approximately $253.9 million of local option sales and services taxes will be processed during FY 2001. The administrative fee represents approximately 0.2% of the total local option sales and services taxes.

**Rules Committee Meeting** The Rules Review Committee of the Legislative Council will meet on August 2 at 9:00 AM in Room 24 of the State Capitol to discuss the proposed rules.

**Public Hearing** A public hearing has been set for August 15 at 1:30 PM in the conference room on the fourth floor of the Hoover State Office Building. Persons may present their views concerning the fee at this hearing either orally or in writing.

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**Public Hearing**

**Authorizing Language** During the 2000 Session of the Legislature, HF 2545 (Administration and Regulation Appropriations Act) included language that permits the Department of Revenue and Finance to charge a fee to recover the direct cost of administration related to the collection and distribution of local sales and services taxes. The language was included at the request of the Governor.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Administrative Rule Changes for the Department of Human Services

**DHS Administrative Rules** At the July 12 meeting of the Department of Human Services, administrative rules action included the following:

* Specifying that a county credit (occurring when a county pays an amount later determined that the county was not responsible for) cannot be used to offset existing or future debt balances unless the original debt balance has been paid. There is no fiscal impact.



* Increasing the reimbursement rates for the State Supplementary Assistance residential care facilities and the in-home health-related care. This 0.98% increase is to comply with the federal pass-along requirement that in calendar year 2000, Iowa’s State Supplementary Assistance expenditures need to be $19.6 million, which current projections indicate will not be met. The FY 2000 cost is $125,000 of State funds.
* Allowing physicians to receive Medicaid funds for applying a topical fluoride to prevent and treat childhood tooth decay in children zero to three years of age. This cost will be absorbed by the current Medicaid budget.
* Revising child support guidelines to parallel the Supreme Court changes, including an adjustment for certain visitation overnight stays, a deduction for the cost of the health insurance premium, and to specify that the monthly deduction for unreimbursed medical expenses is for medical expenses of the parent. The State cost is expected to be $101,000
* Establishing criteria for parental obligation pilot projects related to child support. The State share of possible additional collections is $18,000, with a State cost of $11,000.

**More Information** Additional information is available upon request.

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

Emergency Allocation for the Department of Public Defense



**Emergency Allocation** In the Executive Council meeting that was held July 10, the Council approved an emergency allocation to the Department of Public Defense, Military Division, at Camp Dodge. The request was in the amount of $26,000. On May 30, 2000, a lightning strike caused damage to the Fire Suppression System – Building A6. The request is to cover costs to remove, recharge the system, and return it to normal operation.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Legislative Oversight Committee

**Oversight Committee** The Legislative Oversight Committee met on July 18 in Room 19 and remote sites in Davenport, Dubuque, Sioux City, and Chicago. The Committee heard presentations on and discussed the following:

**Child Care Services** Child Care Services Funding and Investigation



* Julie Ingersoll, Department of Human Services(DHS), discussed the procedure for payment of funds and detecting fraud and unintentional overpayment to child care providers. The DHS has had an informal method of detecting fraud, but is in the process of formalizing those procedures.
* Steve Young, Deputy Director, and Nick Brown, Department of Inspections & Appeals, discussed the procedure for investigation when the Department is called to assist in a fraud investigation.
* Richard Johnson, Auditor of State, Warren Jenkins, Deputy Director, and Michelle Meyer, Auditors Office, discussed the role of the Auditor’s Office in working with departments to ensure the likelihood of fraud is minimized. The DHS is in the process of implementing recommendations from the Auditor’s Office in this area.

**Privacy & Security Issues** Privacy and Security Issues

* Mark Schoeberl, Department of Public Health, discussed plans for the Governor’s Task Force to Protect Iowans’ Consumer Privacy. The Task Force members have not yet been appointed, but the Department will be providing staff support.



* Tom Shepard, Information Technology Department (ITD), discussed privacy issues related to public records of citizens held by the State. Mr. Shepard suggested that State agencies and the General Assembly may want to review the Open Records Law and assess the collection of information by State Agencies.
* Ken Adrian, Information Technology Department, discussed the status of Public Key Infrastructure (PKI) request for services. Mr. Adrian explained that the Department had identified the development of the Infrastructure as a way of ensuring the security of electronic transactions and for verifying the source of the transaction. This verification will be needed to move forward with e-commerce.
* Kip Peters, Information Technology Department, discussed the State security plan for information technology. Mr. Peters explained that implementation of an effective security plan is the result of a continuous effort.

**Gas Prices** Gas Prices



* Bill Brauch, Director, Consumer Protection Division, Attorney General’s Office, briefly discussed the investigation that is being conducted by his office on price fixing in the motor fuel industry in the Midwest. The investigation is ongoing and no details were available for release at this time.
* David Downing, Department of Natural Resources, discussed the fluctuation in the price of gasoline. As of June 15, the average price for a gallon of gasoline was $1.77 in Iowa, which is the highest price per gallon paid since 1980. He predicted the price of gasoline to go downward; however, he stated the price for propane and heating oil would be going up.
* Pat Paustian, Department of Agriculture and Land Stewardship, discussed the increase in gas prices and the cost of ethanol. The price of ethanol has not risen since April, with the cost of $0.70 per gallon. There was a comparison of gas price components from 1999 to 2000. The major increase in the price per gallon was due to an increase in the cost of crude oil and an increase in refinery costs.
* Carol Coates, Office of Procurement, discussed the effects of fuel prices on Department of Transportation (DOT). Costs for the DOT have exceeded the budgeted amounts for this period by $1.4 million for gasoline and $300,000 for diesel fuel.
* Gene Jones, Office of Program Management, and Kevin Mahoney, Project Development Division, DOT, discussed the effect of fuel prices on the DOT Highway Program and construction contracts.

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

Natural Resources Commission Holds Meeting

**Commission Meeting** The Natural Resources Commission held a teleconference meeting in Des Moines on July 13. The following presentations were made:



* Linda Hanson, Administrator of the Administrative Services Division, asked the Commission to approve a construction contract for a boat ramp at Little River Lake. The contract awarding $115,000 to TEK Builders was approved.
* Linda Hanson asked the Commission to approve the proposed amendments for electronic license sales. The amendments were approved.
* Steve Pennington, Administrator of the Parks and Preserves Division, asked the Commission to approve the proposed amendments that clarify the annual reporting requirements for the sale and harvest of ginseng. The amendments were approved.
* Al Farris, Administrator of the Fish and Wildlife Division, asked the Commission to approve the hunting seasons for early Canada goose, September duck and coot, and the youth waterfowl season. The hunting seasons were approved.

**Next Meeting** The next meeting will be held August 9 in Storm Lake.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Environmental Protection Commission Holds Meeting

**Commission Meeting** The Environmental Protection Commission held their monthly meeting on July 17 in Des Moines. The following items were presented:

* Lyle Asell, Interim Director, Department of Natural Resources, provided the following updates:



* The National Governor’s Association appointed Governor Vilsack as Chairperson of the Committee on Natural Resources.
* The House of Representatives introduced House Joint Resolution 104 on July 13, 2000. This legislation states that the House of Representatives and Senate do not approve the rule issued by the Environmental Protection Agency regarding proposed revisions to the national pollutant discharge elimination system program, the federal antidegradation policy, and regulations regarding total maximum daily load requirements. The Resolution was referred to the House Transportation and Infrastructure Committee.
* The Environmental Protection Agency will be visiting 70 open feedlots within Region Seven, which includes Iowa, Nebraska, Kansas, and Missouri.
1. Liz Christiansen, Administrator of the Waste Management Division, asked the Commission to approve grant funding for four projects within the Regional Collection Center Program. Total funding includes $487,000. The Commission approved the grants.



1. Liz Christiansen asked the Commission to approve grant funding for 24 projects in the Waste Tire Management County Grant Program. There were 38 applications requesting total funding of $1.5 million. The approved projects will receive $980,000. The Commission approved the grants.
2. Liz Christiansen asked the Commission to approve a contract with the Metro Waste Authority’s Regional Collection Center to provide hazardous waste collection and disposal services for Van Buren and Woodbury counties for their Toxic Cleanup Day events. The contract is for $82,000 and was approved by the Commission.
* Mike Valde, Administrator of the Environmental Protection Division, asked the Commission to approve revisions to the Wastewater Construction and Operation Permits. The change implements a pilot project that was adopted by the FY 2000 General Assembly. The pilot project requires the Department of Natural Resources to refund permit fees if they fail to issue a stormwater permit within a timely manner. The Commission approved the revision.
* **Mike Murphy, Compliance and Enforcement Bureau, asked the Commission to approve four referrals to the Attorney General. The Commission approved the referrals.**

**Next Meeting** The next meeting will be held in the Cedar Rapids area on August 22. A tour of the area will be on August 21.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Resource Enhancement And Protection Congress Held In Des Moines

**REAP Congress** The Resource Enhancement and Protection (REAP) Congress was held in Des Moines on July 15. The Congress was called to order by Lyle Asell, Interim Director for the Department of Natural Resources. The following presentations were given:



REAP

* Senator Dennis Black provided historical information on the development and passage of the REAP Program, which was created by the 1989 Legislature. He encouraged REAP Congress members to contact their elected officials and ask them to support full funding levels of the REAP Program.
* Representative Michael O’Brien discussed how the initial funding level for REAP was $30.0 million and then lowered to $20.0 million. The program was fully funded in 1991, when the Legislature appropriated $20.0 million. Representative O’Brien explained that land purchased with REAP funds is required to pay property taxes which does not lower the tax base for any county.
* Senator Bill Fink emphasized the importance of contacting elected officials with regard to the full funding of the REAP Program. He also encouraged REAP Congress members to ask their elected officials as to how they voted for REAP funding and other related issues.
* Don Brazelton, Iowa Association of County Conservation Boards, provided web site addresses for REAP Congress members to use to contact their elected officials. He explained that some members of the Legislature do not like the land acquisition portion of the REAP program.

**Reports** Reports were given on the following REAP programs:



* Jim Gulliford, Department of Agriculture and Land Stewardship, discussed how funding from REAP is provided to all Soil and Water Conservation Districts to assist in protecting and improving the quality of surface and groundwater. Approximately $19.4 million has gone to the Soil and Water Enhancement Account since the REAP Program began.
* Mark Wagner, Iowa Association of County Conservation Boards, discussed the $350,000 REAP allocation for conservation education programs. The County Conservation Board receives grant requests and allocates the funds in May and November of each year.
* Larry Wilson, Department of Natural Resources, discussed the REAP allocations for Administration, Open Spaces, County Conservation Boards, City Parks, and Land Management. The Department has acquired 30,000 acres of land using REAP funds and pays approximately $170,000 in property taxes per year.
* Cynthia Nieb, Department of Cultural Affairs, discussed the allocation to the Historical Resource Development Program of the REAP. She explained the funds are used for documentation, museums, historical preservation, and schools.
* Steve Holland, Department of Transportation, discussed the allocation to the Roadside Vegetation Living Roadway Trust Fund. He explained that funds received since the beginning of the REAP Program were approximately $5.0 million and over 700 projects have been funded.
* Larry Wilson provided an overview of the REAP license plate program. During the first year REAP license plates were available (1995), there were 30,000 sold at a cost of $35 each. This provided over $1.0 million of revenue to the REAP fund. Subsequent year sales have been lower, with 15,000 sold in 1996, 17,000 sold in 1997, 3,000 sold in 1998, and 3,000 sold in 1999.

**Recommendations** The REAP Congress reviewed the actions taken in 1998 and discussed the recommendations from the 2000 REAP Assemblies that were held around the State. The following recommendations were discussed:

* Fully fund REAP at $20.0 million per year.
* Maintain the existing REAP fund allocation.
* Support lifting of the $1.0 million cap on water quality projects under the Soil and Water Enhancement account. The Legislature adopted this change during the FY 2000 Session.
* Promote the sale of REAP license plates.



* Increase the allocation to Conservation Education to $500,000.
* Better inform the public about the REAP Program.
* Increase the percentage allocations to small and medium-sized cities and decrease the allocation to larger cities.
* Fund projects that are consistent with the original intent of the REAP program.
* Review policies on membership of grant project selections.
* Conduct REAP project reviews on a regional basis.
* Increase funding for roadside vegetation.
* Maintain or increase land acquisition efforts to protect wetlands, prairies, and woodlands.
* Place emphasis on REAP projects that have regional significance and provide partnerships.
* If funding to REAP increases, have two application periods per year for county conservation, city parks, and open spaces grants.

**More Information** Additional information is available upon request.

STAFF CONTACT: Deb Kozel (Ext. 16767)

Education Telecommunications Council

**Council Meeting** The Education Telecommunications Council met July 14 at Iowa Public Television and remote Iowa sites using the Iowa Communications Network (ICN).



**Rates** The Council discussed the rates charged by the Iowa Telecommunications and Technology Commission to various user groups for video services over the ICN. Harold (Tommy) Thompson, Executive Director, ICN, explained the legislative intent that the ICN eliminate the need for subsidization of video services by 2007. Mr. Thompson stated that to achieve this goal, it would be necessary to raise rates significantly over the next several years.

**Rate Increase Recommended** After discussing the issue, the Council voted to recommend a 5.0% rate increase for all educational users for FY 2002. Rates must be established by September of this year to allow users to build the new cost into their budgets. The Council also voted to conduct a study and develop action plans to increase funding and increase usage of the ICN.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Board of Regents Meeting - July

**Regents Board Meeting** The Board of Regents met July 19 and 20 at the University of Northern Iowa (UNI) in Cedar Falls. Significant agenda items included:

**Banking Committee *Banking Committee***. The Board voted to authorize the following:



* Issuance of $29.8 million of University of Iowa (SUI) Facility Corporation Revenue Bonds for the Medical Education and Biomedical Research Facility Project.
* Issuance of $10.0 million of Athletic Facility Revenue Bonds for the SUI.
* Issuance of a new promissory note of $5.8 million for the Iowa State Memorial Union.

**FY 2001 Detailed Budgets *Final Approval of FY 2001 Detailed Budgets for each of the Regents Institutions***. Each of the institutions provided detail regarding internal reallocations as requested by the Board at last month’s meeting. This detail is provided in the Board docket and is available upon request from the LFB.

**Insurance *Domestic Partner Insurance***. The Board voted to authorize paying the health insurance costs for same sex domestic partners at the SUI during the June Board meeting. During the July meeting, the Board voted to approve allowing payment of same sex domestic partner insurance costs at Iowa State University (ISU) and the UNI. Regent Fisher was the only no vote. Regent Kelly (who voted no in June) was absent at the July meeting. There was some discussion by the Board regarding payment of health insurance costs for heterosexual domestic partners. The Board Office and the institutions responded that the costs are currently paid by the institutions if the couple files an affidavit of common law marriage. The total estimated cost of paying the health insurance costs for same sex domestic partners at SUI is estimated to be in the range of $17,000 to $43,000. The estimate for the General Fund portion of the cost is $4,300 to $11,000. Administrators at ISU estimated the cost at their institution would be approximately $11,000. Administrators at ISU also reported that there are four same sex couples who would likely qualify for the health insurance benefits and 12 to 24 heterosexual couples currently receiving health insurance benefits paid by ISU.

#### FY 2002

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**FY 2002 Budget Requests *Operating Budget Requests for FY 2002***. The Board reviewed initial budget requests for FY 2002. Each of the institutions indicated the number one priority was full funding of salary costs in an amount yet to be determined. In addition, the following requests for increased funding for FY 2002 were made by each institution:

* SUI - $6.0 million for the general university. The funds would be used as follows:

$3.0 million for the Public Health Initiative.

$3.0 million for an initiative entitled Partnership to Improve Instructional Quality. The SUI would use these funds for libraries, additional instructional equipment, and maintenance and improvements to instructional space.

* Iowa State University (ISU) - $6.0 million for the general university. The funds would be used as follows:

$5.0 million for the Center of Excellence in Plant Science.

$1.0 million for an initiative entitled Healthy Start. The funds would be used to supply research and educate parents about early childhood development.

* University of Northern Iowa (UNI) - $3.0 million for the general university. The UNI would use these funds to create new faculty positions in high demand areas, including teacher education, early childhood education, and training school principals and superintendents. The UNI also plans to expand in areas of business, computer science, natural sciences, and various areas of the humanities and social sciences, such as communications.
* School for the Deaf - $280,000. The School would use the funds as follows:

$200,000 for utility costs and three staff positions for the new recreation complex.

$80,000 for an initiative entitled Deaf Youth Life-time Achievement Program, which is to assist in reading programs for students under five years of age and assist with transition reliance in youth through age 24.

* Braille and Sight Saving School - $150,000 to increase outreach initiatives for Western Iowa.

**FY 2002 Capital Requests *Capital Budget Requests for FY 2002***. The Board reviewed the FY 2002 capital request recommendations of $57.8 million and a tuition replacement request of $27.4 million. Detail is provided in a related ***Fiscal Update*** article.

**Five-year Capital Plan** ***Preliminary Five-year Capital Improvement Plan (FY 2002 to FY 2006).*** The Board reviewed the following Board Office recommendations:

* $293.4 million for the five-year State-funded capital plan.
* $62.8 million for the SUI Hospital and Clinics five-year capital plan to be funded by hospital revenues.
* $370.6 million for the Regents institutions five-year capital plan to be funded by sources other than State appropriations.



**ISU Presidential Search** ***ISU Presidential Search Committee***. The Board approved a list of members for a Committee to conduct a search for a new President at ISU. The list includes 14 ISU faculty, staff, and administration representatives; four ISU students; four ISU alumni; three representatives selected by the Board of Regents; and one ex-officio member from the Regents Board Office (Deputy Executive Director Bob Barak). Dr. Benjamin Allen will chair the Committee.

**ISU Honors Building *ISU Honors Building***. The Board reviewed the schematic design for the ISU Honors Building. The Building has an estimated cost of $2.0 million to be funded by the ISU Foundation ($1.0 million) and income from Treasurer’s Temporary Investments ($1.0 million). The Board also voted to name the Building after President Jischke.

**ISU – Sale of Land *Sale of Land by ISU***. The Board authorized the sale of 83.38 acres owned by ISU to the Ames Community School District for $2.1 million, subject to approval by the Executive Council of Iowa.

**Next Meeting** The next meeting of the Board of Regents will be held September 13-14 at SUI in Iowa City.

STAFF CONTACT: Mary Shipman (Ext. 14617)

FY 2002 Public Budget Requests - Department of Human Services

#### FY 2002

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**FY 2002 Budget Requests** At the July 12 meeting of the Council on Human Services, the Council received testimony or information from various entities regarding funding requests to consider for inclusion in the Department’s FY 2002 budget request. The entities included:

|  |  |  |
| --- | --- | --- |
| * Iowa Foster and Adoptive Parents
 |  | * Personal Assistance Family Support Council
 |
| * Johnson County Cluster Board
 |  | * Iowa Family Support Initiative
 |
| * Iowa Child Care Coalition
 |  | * Fathers for Equal Rights
 |
| * Prevent Child Abuse Iowa
 |  | * Boys and Girls Home
 |
| * Iowa Caregivers Association
 |  | * Planned Parenthood of Greater Iowa
 |
| * Polk County Family Enrichment Center Participant Leadership Team
 |  | * Iowa Health Care Association, Iowa Council for Health Care Centers, and Iowa Homes and Services for the Aging
 |
| * Family Planning Council of Iowa
 |  | * Iowa Association of Nurse Practitioners
 |
| * Iowa Commission on the Status of Women
 |  | * Child Health Specialty Clinics
 |
| * Iowa Nurses Association
 |  | * Empowerment Board
 |
| * Iowa Pharmacy Association
 |  | * Iowa Dental Association
 |
| * Iowa Juvenile Home Foundation
 |  | * Iowa Psychiatric Nurses Association
 |
| * Consumer Advisory Team.
 |  | * Alliance for the Mentally Ill
 |
| * American Federation of State, County, and Municipal Employees
 |  | * Broadlawns Medical Center
 |
| * Iowa Child Care and Early Education Care Network
 |  | * Johnson County Consumer Leadership Team
 |
| * Iowa Medical Society
 |  | * Children’s Policy Coalition
 |
| * Consumer Advisory Team
 |  | * Human Needs Advocate
 |
| * Governor’s Developmental Disability Council
 |  | * Iowa Court Appointed Special Advocate Program
 |
| * Coalition for Family and Children Services.
 |  | * Four Oaks
 |
| * Department of Elder Affairs
 |  | * Iowa Hospice Organization
 |
| * Advisory Council on Brain Injury
 |  | * Medical Assistance Advisory Council
 |
|  |  | * Child Care Resource and Referral of Northeast Iowa
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**More Information** Most of the information is in written form and is available upon request.

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

Board of Regents Capital Budget Requests for FY 2002 and Five-Year Capital Plan

#### FY 2002

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**FY 2002 Capital Budgets** The Board of Regents reviewed capital requests for FY 2002 for each of the institutions at the July Board meeting. The institutions and Lakeside Laboratory have requested funding of $98.7 million for capitals for FY 2002. The Board Office has made a preliminary recommendation that a total of $57.8 million for capitals be forwarded as the Board’s formal request to the Governor and the General Assembly. The Board will not take final action on the recommendation until September.

**FY 2001 Action** For comparison purposes, the institutions requested funding of $109.6 million for capitals for FY 2001, and the Board recommended funding $77.4 million. The Governor and the General Assembly approved FY 2001 appropriations totaling $43.2 million from the Infrastructure Fund for the Board of Regents institutions. The following table illustrates capital funding appropriated by fiscal year for the Regents during the 2000 Legislative Session.

 **Board of Regents Capital Appropriations**

 **Approved During 2000 Legislative Session**

 Dollars in Millions

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Project** | **FY 2001** | **FY 2002** | **FY 2003** | Total |
| University of Iowa (SUI) - Biology Renovation | $ 4.4 | $ 7.3 | $ 3.0 | $ 14.7 |
| Iowa State University (ISU) -Gilman Hall – HVAC |  8.5 |  2.5 |  |  11.0 |
| ISU College of Business – planning | 0.3 |  |  | 0.3 |
| University of Northern Iowa (UNI) McCollum Science Addition | 2.7 | 5.8 | 8.4 | 16.9 |
| Iowa School for the Deaf - Water System Replacement | 0.3 |  |  | 0.3 |
| TOTAL | $ 16.2 | $ 15.6 | $ 11.4 | $ 43.2 |

**FY 2002 Requests** The table below illustrates the institutions’ requests compared to the Board Office recommendation for capitals for FY 2002.

 **Board of Regents Preliminary Capitals Requests for FY 2002**

 **Institutional Requests Compared to Board Office Recommendations**

 Dollars in Millions

| **Project** | **Institution’s Request** | **Board Office Recomm.** | **Difference** |
| --- | --- | --- | --- |
| SUI – Art Building, Phase I | $ 16.0 | $ 16.0 | $ 0.0 |
| SUI – Classroom Building for Journalism | 12.9 | 1.2 | -11.7 |
| SUI – Steam Distribution Infrastructure | 1.0 | 0.0 | -1.0 |
| SUI – Power Plant – East Egress | 1.7 | 0.0 | -1.7 |
| ISU – College of Business | 10.9 | 10.9 | 0.0 |
| ISU – Livestock Units for research | 4.9 | 4.9 | 0.0 |
| ISU – LeBaron Hall, systems upgrade | 1.7 | 1.7 | 0.0 |
| ISU – Gen. classrooms and auditoriums | 6.0 | 3.0 | -3.0 |
| ISU – Residence System, acad. space | 4.0 | 0.0 | -4.0 |
| UNI – Steam Distribution System Rep. | 12.7 | 12.7 | 0.0 |
| UNI – East Gym Renov. | 1.7 | 1.3 | -0.4 |
| UNI – Price Lab Renov. | 8.5 | 0.0 | -8.5 |
| Lakeside Lab | 0.2 | 0.2 | 0.0 |
| Total Fire & Environ. Safety | 3.0 | 2.0 | -1.0 |
| Total Deferred Maintenance | 13.5 | 3.8 | -9.7 |
| TOTALS | $ 98.7 | $ 57.7 | $ -41.0 |

**Five-Year Capital Plan** The Board also reviewed a preliminary five-year capital plan for FY 2002 through FY 2006, which is summarized in the table below.

 **Preliminary Board of Regents Five-Year Capitals Plan**

 Dollars in Millions

 Priority Ranking in Parenthesis ()

| **Inst.** | Project | **FY 2002** | **FY 2003** | **FY 2004** | **FY 2005** | **FY 2006** | **Totals** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| ISU | College of Business Building | (1) $10.9 |  |  |  |  | $ 10.9 |
| Reg | Lakeside Lab | (2) 0.2 | (5) $0.1 | (5) $0.1 | (7) $0.1 | (5) $0.1 |  0.6 |
| SUI | Art Building, Phases I & II | (3) 16.0 | (1) 3.1 | (3) 7.0 |  |  |  26.1 |
| UNI | Steam Dist. System Replace. | (4) 12.7 |  |  |  |  |  12.7 |
| ISU | Livestock Units  | (5) 4.9 |  |  |  |  |  4.9 |
| ISU | LeBaron Hall – Systems Upg. | (6) 1.7 |  |  |  |  |  1.7 |
| ISU | Gen. Classrooms & Auds. | (7) 3.0 | (2) 3.0 | (1) 3.0 | (5) 3.0 |  |  12.0 |
| UNI | East Gym Renovation | (8) 1.3 | (3) 14.0 |  |  |  |  15.3 |
| SUI | Classroom Bldg. – Journalism | (9) 1.2 | (4) 11.7 |  |  |  | 12.9 |
| ISU | Res. System – Academic Sp. |  | (6) 4.0 | (2) 2.3 |  |  | 6.3 |
| UNI | Price Lab Renovation |  | (7) 1.0 | (4) 4.0 | (6) 7.5 |  | 12.5 |
| ISU | Coover Hall (Elec. Eng.) |  | (8) 14.1 |  |  |  | 14.1 |
| SUI | Chemistry Bldg. (East wing) |  | (9) 7.5 | (6) 7.7 |  |  | 15.2 |
| ISU | Ag. & Biosystems Eng. |  | (10) 1.0 | (7) 12.5 | (2) 6.8 |  | 20.3 |
| UNI | Electrical Dist. Loop System |  |  | (8) 6.5 |  |  | 6.5 |
| SUI | Oakdale Lab Renovation |  |  | (9) 7.3 |  |  | 7.3 |
| ISU | Morrill Hall–Def. Maint. & Ren. |  | (11) 0.5 | (11) 3.8 | (8) 4.0 |  | 8.3 |
| ISU | Gilman Hall – Phase IV |  |  | (10) 0.5 | (4) 5.7 | (1) 6.7 | 12.9 |
| SUI | Seashore Hall Remodeling |  |  | (12) 2.2 | (1) 14.9 | (3) 12.9 | 30.0 |
| UNI | Science Bldgs. Renovation |  |  | (13) 1.0 | (3) 6.1 | (2) 5.9 | 13.0 |
| UNI | Steam Dist. System – Phase II |  |  |  |  | (6) 8.0 | 8.0 |
| SUI | Macbride Hall - Remodeling |  |  |  | (9) 7.3 |  | 7.3 |
| ISU | Family & Cons. Science - Ph. I |  |  |  | (10) 1.5 | (4) 6.3 | 7.8 |
|  | Fire & Environmental Safety | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 10.0 |
|  | Deferred Maintenance | 3.8 | 3.3 | 3.3 | 3.3 | 3.3 | 17.0 |
|  | TOTALS | $ 57.7 | $ 65.3 | $ 63.2 | $ 62.2 | $ 45.2 | $ 293.6 |

**Final Action** Final action will not be taken on the five-year plan until the next Board of Regents meeting, September 13 and 14 at the University of Iowa in Iowa City.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Road Use Tax Fund Revenues for FY 2000

**Road Use Tax Fund Receipts** Road Use Tax Fund receipts for FY 2000 increased $52.3 million (5.5%) compared to FY 1999. Motor Vehicle Use Tax and registration and title fees comprise approximately 94.0% of the increase.

**Vehicle Use Tax Revenues** Motor Vehicle Use Tax revenues increased by $31.8 million, a 17.4% increase. The increase in Motor Vehicle Use Tax receipts continues to be driven largely by strong auto sales and law changes that have decreased standing appropriations from the Use Tax.



**New Truck & Auto Sales** The most recent eleven-month period for new truck and auto sales shows that sales from July 1999 through May 2000 have increased 11.1% compared to the same eleven-month period of the prior year. Additionally, new sales of multipurpose vehicles, which includes sport utility vehicles, were up 20.0% compared to the previous year. Part of the increase in sales may be attributed to revised data collection methods by the Department of Transportation.

**Law Changes** Two major law changes have also contributed significantly to the increase in Motor Vehicle Use Tax revenues. In FY 1999, the State Patrol received a $9.7 million appropriation from the Motor Vehicle Use Tax. Beginning in FY 2000, the General Assembly permanently funded the entire State Patrol budget from the General Fund. In addition, the General Assembly eliminated the Use Tax appropriation for the Underground Storage Tank Marketability Program, which resulted in an additional $17.0 million in Use Tax revenue deposited into the Road Use Tax Fund in FY 2000.

**Registration & Title Fees** Registration and title fees for FY 2000 increased $17.3 million (5.5%) compared to FY 1999. The increase in vehicle registration fees is largely attributed to the increase in the price of vehicles being registered. This also corresponds with the increases in car and truck sales.



**Fuel Tax Revenues** Motor Vehicle Fuel Tax revenues grew by only $2.2 million (0.6%) compared to FY 1999. The small rate of growth may be attributed to two factors: total fuel sales and an increase in the market share of ethanol.

* Total fuel sales for gasoline, ethanol, and diesel, for the period of July 1999 to May 2000, were only 1.0% higher than the same eleven-month period of the previous year.
* The sale of ethanol-blended fuel has increased 6.1%, whereas regular gasoline sales have experienced a decrease of 4.1%. This has caused the market share of ethanol to increase from 42.5% during the first eleven months of FY 1999 to 45.0% in FY 2000. Because ethanol is taxed at a penny less than gasoline, increasing the market share of ethanol will decrease fuel taxes.



**Other Revenue** Other revenue types have experienced a combined increase of $900,000 (1.8%) in FY 2000. Driver license fees were up $4.0 million (38.9%) compared to FY 1999. This increase is primarily due to the normal license issuance cycle. Changes in other revenue sources were relatively insignificant in terms of total dollar changes.

**Comparison to FY 1999** The following table compares the Road Use Tax Fund receipts for FY 1999 and FY 2000 by revenue source. The sum of the revenues may not equal totals due to rounding.

 *Note: For Road Use Tax Fund reporting, receipts are considered in the month for which they are distributed by formula rather than the month in which they are collected. For example, June revenues were collected in May but distributed to the various State and local road funds in June.*

STAFF CONTACT: David Reynolds (Ext. 16934)

Department of Education Selects Internet Filtering Provider for Area Education Agencies



**Contract Awarded** The Department of Education has awarded a contract to N2H2, Inc., to provide Internet filtering to Iowa’s 15 Area Education Agencies (AEAs). Under the contract, N2H2 will provide a Bess® Internet Filtering Service server at each AEA upon request of the AEA or upon request of any school district to which the AEA provides Internet service. The filtering will then be available free of charge to all school districts receiving Internet service from the AEA. The AEAs provide Internet service to 223 of Iowa’s 375 school districts.

**Unused Funds** If an AEA is not interested in the filtering service and no interest is expressed by school districts to which it provides Internet service, the unused funds will be redirected to help offset the costs of filtering for interested school districts that use other Internet service providers.

**1999 Legislative Action** During the 1999 Session, the General Assembly reallocated $50,000 of unspent funds to this purpose in the FY 2000 Standing Appropriations Act. However, the Department was unable to identify a qualified Internet service provider to meet the requirements of the legislation. The FY 2001 Deappropriations Act changed the language to allow the Department to proceed with implementation.

STAFF CONTACT: Robin Madison (Ext. 15270)

Teacher Shortage Forgivable Loans Awarded

**Awards Announced** The Iowa College Student Aid Commission recently announced the approval of 185 awards for the Teacher Shortage Forgivable Loan Program. The Program provides forgivable loans of up to $3,000 per recipient for students that attend Iowa colleges and agree to teach in an Iowa school in a subject shortage area. Eligible shortage areas are determined by the Iowa Department of Education. The FY 2001 awards by subject area include:



* Special Education – 41
* English as a Second Language – 2
* Guidance Counselor – 9
* Reading – 81
* Health – 3
* Industrial Technology – 10
* Math – 23
* Physics – 6
* Elementary & Secondary Principal – 10

**Program Funding** This Program was new for FY 2000, having replaced the Industrial Technology Forgivable Loan Program which began in FY 1999. In FY 2000, a total of $250,000 was appropriated from the General Fund for this Program. The FY 2000 funding provided awards to approximately 88 recipients. For FY 2001, the funding was increased by $275,000, to a total of $525,000, increasing the number of recipients from 88 to 185.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Iowa Communications Network Issues Request for Proposal



**RFP Issued** On July 14, the Iowa Communications Network (ICN) issued a Request for Proposals (RFP) for a Voice Over Internet Protocol (VoIP) Demonstration Project. Vendors can submit proposals for one to three applications of this technology. The three types include:

* Personal Computer to Personal Computer VoIP Application.
* Domestic and International Long Distance Application.
* Internet Protocol Public Switched Network (PBX) VoIP Application.

**Legislative Action** The RFP was issued in response to legislative intent language in SF 2433 (FY 2000 Oversight and Communications Appropriations Act) requiring the ICN to conduct a pilot project.

**Vendors Conference** There will be a vendors conference held on August 2, and the proposals are due by August 18. The selected project(s) will be demonstrated between September 15 and November 15.

**Copies Available** Copies of the RFP can be obtained by contacting the Iowa Communications Network.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Attorney General’s OWI Task Force



Task Force

**Task Force Established** The Legislature requested, in Senate Concurrent Resolution 114 and House Concurrent Resolution 118, that the Attorney General convene a task force to examine the law of Operating While Intoxicated (OWI) and the issue of administrative license revocation. The Attorney General’s OWI Task Force met July 21 and is composed of the following members: Anne Bunz, Legislative Liaison, Office of the Attorney General; Jean Pettinger, Office of the Attorney General, Division of Criminal Appeals; Terry Dillinger, Department of Transportation (DOT), Office of Driver Services; the Honorable James P. Reilly, District Court Judge; Sergeant Dave Garrison, Iowa Department of Public Safety; Mark Smith, State Public Defender’s Office; Pete Grady, Prosecuting Attorney Training Council, Office of the Attorney General; Dave Stein, Jr., Iowa Bar Association; Kevin Parker, Warren County Attorney’s Office; and Jeff Tilson, Vinton Police Department.

 Attorney General Tom Miller opened the meeting by stressing the importance of the Task Force:

* 128 people died during calendar year 1999 due to drunk driving accidents.
* The charge of the Task Force is to look at ways to improve or simplify the OWI law.
* Fairness to the defendant is important, as is effective prosecution.

**Discussion** It was noted that three of the 10 members are from the Office of the Attorney General. The Office will only have one vote. The Task Force may issue both a majority and a minority report. The Task Force discussed the following issues:

* Vehicle impoundment and immobilization.
* Administrative license revocation by the DOT and court-ordered license revocation under Chapter 321J, Code of Iowa.
* Sentencing issues. There is a perceived disparity across the State in sentencing OWI offenders, specifically in regards to the two-day jail sentence. People convicted of OWI for the first time are mandated to serve a two-day jail sentence. Some people may not be serving this sentence.
* Sobriety tests at accident scenes; the mandated two-hour limit for testing for OWI (a person must be tested within two hours of being arrested); margin of error of testing equipment; rights to an independent test; and implied consent to test an individual.
* Availability of local jail space for the two-day sentence.
* Right to have a private conversation with an attorney.
* Training issues for administrative law judges and local law enforcement.
* Out-of-state convictions and how they relate to Iowa’s OWI law.

**Next Meeting** The next meeting is scheduled for September 20.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Progress Report regarding Sexually Violent Predator Act



**Progress Report Issued** The Department of Justice has issued a Progress Report regarding the Sexually Violent Predator Act. The Report includes an Executive Summary regarding the original purpose, legal procedures and legal issues, a review of the Treatment Program component, a profile of patients (clients) within the Program, a review of the impact upon the victims, and recommendations. The recommendations include:

* Modification of victim compensation to allow counseling and related expenses for victims in current Sexually Violent Predator cases.
* Application of criminal escape statutes to respondents (clients before trial) of the Sexually Violent Predator Program.
* A stand-alone facility to house the patients within a correctional institution.
* Development of less secure programs upon release of the patients (clients) from the Treatment Program.

**Copies Available** Copies of the Report are available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Beth Lenstra (Ext. 16301)

Final Report of the Treatment Component of Child Welfare Services Work Group



**Final Report Issued** The Treatment Component of Child Welfare Services Work Group has issued its final report to the Legislative Council. The Report includes seven long-term goals regarding the future of child welfare requested to be considered for legislative oversight:

* A community designed and managed system.
* An integrated and holistic system of services and supports.
* Flexibility for administration.
* Accountability based upon results.
* Usage of the best fiscal management practices to insure management within finite resources.
* Development of a partnership with the federal government and the related funding sources.
* Involvement of consumers.

**Copies Available** The Report also includes concerns regarding negotiations with the Health Care Finance Administration regarding the State of Iowa “overbilling” for various child welfare services. Copies of the Report are available upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

Federal Court of Appeals Ruling



**Court Ruling** On June 27, the U.S. Court of Appeals for the District of Columbia ruled on the appeal of the decision of the Federal Communications Commission (FCC) filed by the Iowa Telecommunications and Technology Commission.

**FCC Ruling** The FCC had ruled that the Commission did not qualify as a common carrier and therefore was not a telecommunications carrier within the meaning of the Telecommunications Act of 1996. This made the Commission ineligible to receive direct Universal Service Fund support for the discounted telecommunications services it provides to schools, libraries, and rural health care providers.

**Appeal** On appeal, the Commission had argued that:

* First, the FCC had erred by determining that the Iowa Communications Network (ICN) is not a common carrier.
* Second, regardless whether the ICN is a common carrier, it is a telecommunications carrier within the meaning of the 1996 Act, and therefore is eligible for direct Universal Service Fund support.

**Court Decision** The Court dismissed the second argument, but stated the FCC had failed to address the Commission’s argument that offering services to all potential customers to whom the carrier, under State law, may provide services makes the ICN a common carrier for purposes of the 1996 Act.

**Petition Granted** The Court granted the petition for review and remanded the matter to the FCC to consider Iowa’s first argument.

**Next Action** The FCC will now have to reexamine its ruling and base a new decision on the first point argued by the Commission. Attorneys for the Commission are determining what subsequent steps need to be taken and the likely timetable involved.

STAFF CONTACT: Douglas Wulf (Ext. 13250)

Weekly Medical Assistance Expenditures for the Department of Human Services



**Medical Asst. Program** For the week ending July 17, 2000, FY 2000 General Fund expenditures for the Medical Assistance Program in the Department of Human Services were $11.2 million (79.0% of budget). This is $3.2 million below the weekly budget established by the Department. Year-to-date Medical Assistance General Fund expenditures are $411.0 million, which is $7.9 million (2.0%) 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)

Audit Report - Department of Justice



**Audit Report** The Legislative Fiscal Bureau has received the annual audit report for the Department of Justice. The Auditor of State found no instances of material weaknesses and made the following notes regarding immaterial instances of non-compliance.

**Segregation of Duties Segregation of Duties** – In order to maximize the accuracy of internal accounting and eliminate the potential for employee dishonesty, one employee should not be assigned incompatible duties.

* **Recommendation** – The Department of Justice has two employees that approve timesheets and one employee assigned to reconciling fixed asset information. Although the Department has limited office staff, the operating procedures should be reviewed to improve internal control.
* **Conclusion** – The fixed asset recording efforts are divided within the Attorney General’s Office. The computer personnel will be responsible for recording all information on the database, and another employee will be responsible for entering all non-computer information. The accounting section will still perform the reconciliation. The Office of the Consumer Advocate (OCA) is currently addressing the problem of segregation of duties and expects to implement corrective action by January 1, 2001. A human resource position has been filled to assist the existing two individuals with personnel matters.

**Computer Controls Computer Controls** – The OCA does not require the use of specific logins and/or passwords to access utility billings and fixed asset information.

* **Recommendation** – The Department should implement security features that limit computer access to those who have a legitimate need.
* **Conclusion** – The OCA will add the use of user-specific logins or passwords for access to computer programs.

**Findings** Following are findings related to statutory requirements:



**Personal Services Contracts Personal Services Contracts** – Executive Order Number 60 requires state agencies to follow rules established by the Department of Revenue and Finance regarding personal services contracts.

* **Recommendation** – The Department of Justice should comply with Department of Revenue and Finance’s rules. The Department of Justice did not include required clauses regarding non-availability of funds in three of seven personal services contracts issued during FY 1999.
* **Conclusion** – The Department of Justice will update the language and include the non-availability of funds clause in the future.

**Consumer Credit Code Iowa Consumer Credit Code** – Chapter 537.6104, Code of Iowa, requires the administrator of the Iowa Consumer Credit Code to report annually to the General Assembly.

* **Recommendation** – The administrator of the Iowa Consumer Credit Code has not reported to the General Assembly since the 1970’s. The report should be made to the General Assembly.
* **Conclusion** – The Attorney General’s Office will report annually to the General Assembly, starting January 1, 2001. It is the intent of the Office to have this Code of Iowa requirement eliminated in the future.

**State Contracts State Contracts** – Chapter 11.36, Code of Iowa, requires that prior to an award of a State grant or contract in excess of $150,000 to a private agency, the State agency must obtain certification from the State Auditor stating that the grantee or contractor has an adequate accounting system. The Department did not request the certification during FY 1999.

* **Recommendation** – The Department should implement procedures to assure compliance with the Code of Iowa.
* **Conclusion** – The Code of Iowa states that “The Auditor of State may accept an audit report by an independent certified public accountant as evidence of adequacy”. The Department of Justice requests the State Auditor to accept these audit reports as evidence of a sound financial accounting system. The Auditor of State will review the audit reports to determine if the certification requirements are met.



**Fixed Assets Fixed Assets** – Chapter 7A.30, Code of Iowa, requires that each entity of State government be responsible for maintaining a written, detailed, up-to-date inventory of all real and personal property belonging to the State. The following items were noted: five fixed assets were not tagged; one asset purchased during FY 1999 was not added to the fixed asset listing; one asset was sent to state surplus in FY 1998 but was not deleted from the fixed asset listing; the OCA does not record deletions in a timely fashion.

* **Recommendation** – The Department should take the necessary steps to ensure that fixed asset records are accurate and updated in a timely fashion and that all fixed assets are properly tagged.
* **Conclusion** – The Department states that the fixed asset requirements are “a very burdensome process”. However, it will continue its effort, with limited resources, to ensure compliance. The fixed asset requirements are mandated by the Code of Iowa and Administrative Rules.

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

STAFF CONTACT: Beth Lenstra (Ext. 16301)

AUDIT REPORT - NEW VIEW SUBSTANCE ABUSE TREATMENT AND PREVENTION CENTER



**Audit Report** New View Substance Abuse Treatment and Prevention Center is a nonprofit corporation created under Section 504A.36 of the Code of Iowa. The purpose of the Center is to provide comprehensive community-based substance abuse and gambling prevention and treatment services to individuals, families, and the community, in an effort to foster opportunities for healthy youth and adults, healthy families, and healthy communities. The Center serves a five-county area consisting of Carroll, Audubon, Greene, Guthrie, and Sac counties. The Center is funded primarily by grants received from the participating counties, the State, and private organizations. Below is a breakdown of the Center’s Public support for the fiscal year ended June 30, 1998.

|  |  |
| --- | --- |
| PUBLIC SUPPORT/REVENUE | AMOUNT |
| Iowa Department of Public Health\* | $276,397 |
| Iowa Department of Human Services | $4,000 |
| Department of Correctional Services | $11,000 |
| Counties | $120,295 |
| Cities and Towns | $13,565 |
| Fees | $56,812 |
| Miscellaneous Grants | $33,641 |
| Miscellaneous Revenues | $21,119 |
| Total | $536,829 |

 \* $203,867 was passed through a managed care provider

**Insurance Coverage** In August 1997, the Center’s Executive Director, with authorization from the Board of Directors, increased the Center’s insurance coverage from $10,000 to $100,000 for “employee dishonesty.”

**Salary Irregularities** Prior to July 1, 1999, the Center contracted with the certified public accounting firm of Feldmann & Company for certain fiscal services. Effective July 1, 1999, the administrative staff of the Center assumed responsibility for all functions previously performed by Feldmann & Company, with the exception of payroll. The Center also retained Feldmann & Company to perform an annual audit of the financial statements. During the course of audit fieldwork, the firm became aware of suspected salary irregularities.

**Findings** Detailed findings include:



* Salary Irregularities - $45,000 of salary irregularities were found by the Auditor's report.
* Unauthorized Payroll – Three employees received unauthorized salary payments during the months of May 1998; July 1998; and May through November 1999. The overpayments totaled $42,000.
* Incorrect Salary adjustments – Employees were granted a two percent across-the-board raise as a cost of living adjustment. However, one employee actually received a 10.18% increase.
* Unauthorized Salary Increase – Two employees received substantial pay raises that were not authorized by the Board of Directors.
* Circumvented Payroll Controls – The checks issued from the Center’s bank account contain two signature lines and a notation of “Executive Director-Board Member”. No Board members signed any of the payroll checks reviewed.
* Employers Share of Costs Associated with Salary Irregularities – As a result of the unauthorized salary activities mentioned above, the Center incurred payroll costs totaling $4,000. This does not include the Center’s potential contribution of $2,000 for the employee’s participation in the Iowa Public Employees’ Retirement System (IPERS). It is unclear if the Center will be liable for this amount.
* Unsupported Reimbursements – The Executive Director was a member of the Iowa Substance Abuse Program Directors Association. Nineteen meetings were scheduled from May 1998 to November 1999. Two of the meetings were cancelled; therefore, seventeen meetings were held during this time period. However, the Executive Director of the Center was reimbursed for mileage, lodging, and/or meal expenses for nineteen meetings. Also, after obtaining an attendance sheet for the Association meetings, the Auditor’s office discovered that the Executive Director’s signature was not on the attendance sheet for thirteen out of the seventeen meetings.
* Unreimbursed Personal Purchases Made on the Center’s Charge Accounts – The Center has an “Agency Membership Business Revolving Credit Account” with Sam’s Club and charge accounts at K-Mart and Best Buy that allow purchases to be made on the account. The Center has not established any policies to ensure proper use of the credit accounts. The Auditor’s Office discovered several invoices where personal items were purchased using the Center’s credit accounts. In some cases, the employee making the purchase did not reimburse the Center for these purchases. The total unreimbursed amount was $200.
* Health Insurance – The two employees involved in the salary irregularities were terminated by the Center on December 9, 1999. Prior to their departure, the Center paid $57 for their life insurance premiums for December 10, 1999, through January 2000. The Center also prorated the employees’ salaries for the 9 days they were employed in December. However, the Center, in prorating the salaries, used 9 days instead of 7. This resulted in overpayments of $500.

Retirement



* Retirement Plan – In January 1999, the Center’s former Director contacted IPERS representatives to determine if the Center was eligible to participate in the retirement plan. IPERS determined that the Center was a mandatory participant in the plan and was to begin coverage on April 1, 1999. Based on the Auditor’s review of the Center’s financial records, no contributions have been made. Based on the wages paid to the Center’s salaried employees between April 1 and December 31, 1999, the Center’s estimated contribution to IPERS is $14,000. The employees’ estimated contributions, which have not been withheld from their pay, total $6,800. These estimates do not include contributions for hourly-basis employees who are required to participate.
* Employee Benefits – The Auditor’s Office reviewed the contributions, reimbursements, reimbursement requests, and available supporting documentation for the employees participating in the Center’s Medical Reimbursement Plan (MRP) and Flexible Spending Accounts (FSA). Several employees were identified that received the full reimbursement amounts available from the MRP and FSAs, even though the employees did not submit reimbursement requests for the full amount. It was also determined that the reimbursement requests submitted were not consistently supported by documentation, and some included non-medical expenses or costs not allowable for reimbursement by federal guidelines. Also, there were several employees who made pre-tax contributions to FSAs that exceeded the applicable federal limits. Pre-tax contributions in excess of federal guidelines and reimbursements to employees for undocumented or unallowable purposes are taxable income, which should have been reported on the employees’ W-2 forms. The Center should contact the Iowa Department of Revenue and Finance and the Internal Revenue Service to determine if any corrective action is necessary.

**Recommended Controls The Auditor’s Office recommended the following control procedures:**

**Segregation of Duties** Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The former Executive Director had control over authorizing payroll amounts, directing the Center’s fiscal agent in payroll preparation, and signing payroll checks.

* **Recommendation**- Payroll checks should be reviewed and signed by the Executive Director and a Board Member. A Board Member should also review and approve payroll amounts distributed by direct deposit.

**Employee Reimbursements** Employee Reimbursements – Several reimbursements to the former Executive Director and Administrative Assistant were not supported by appropriate documentation.

* **Recommendation** – The Center should implement procedures to ensure all the disbursements are supported by appropriate documentation.

**Charge Accounts** Charge Accounts – There were several instances where employees were purchasing personal items with the Center’s charge accounts.

* **Recommendation** – The Center should implement procedures to ensure the Center’s charge accounts are used only for purchases made for the Center.



**Employee Benefits** Employee Benefits – There were numerous unsupported reimbursement claims for medical and dependent care expenses. Also identified were instances where the Center reimbursed employees for medical or dependent care expenses even though a reimbursement request had not been submitted. In addition, the Auditor’s office identified employees that were allowed to make contributions to their flexible spending accounts in excess of the amounts allowed by IRS regulations.

* **Recommendation** – The Center should ensure the flexible spending accounts are administered in accordance with federal regulations and reimbursements are made only after receiving written requests supported by appropriate documentation.

**Expenditures** Allowability of Expenditures – As mentioned previously, the Center is funded primarily by grants received from counties, cities, the State of Iowa, and private organizations. The unauthorized payroll amounts, unsupported employee reimbursements, unreimbursed personal purchases, and unsupported medical reimbursements are not considered allowable expenditures in accordance with grant agreements.

* **Recommendation** – The Center should contact their grantors regarding the irregularities identified in this report to determine any corrective action deemed necessary by the grantor.

**Board Oversight** Board Oversight of Expenditures – The Board does not receive a detailed listing of expenditures made by the Center for their review and approval.

* **Recommendation –** Prior to disbursements being made, the Board should review and approve a detailed list of expenditures.

**Financial Statements** Financial Statements – Since the administrative staff of the Center assumed responsibility for all fiscal functions previously performed by Feldmann & Company, the Board of Directors has not received monthly financial statements for the Center.

* **Recommendation** – The Center should implement procedures to ensure the Board receives financial statements in a timely manner to ensure proper oversight of the Center’s operations.

**Board Minutes** Board Minutes – The minutes of the Board of Directors’ meetings from March 1998 through November 1999 were signed by the former Executive Director and an administrative staff member of the Center.

* **Recommendation** – The minutes of the Board of Directors’ meetings should be signed by the Board’s Secretary/Treasurer and reviewed by all Board members to ensure their accuracy and completeness.

**Policies & Procedures** Policies and Procedures Manual – The Center’s policies and procedures manual is outdated.

* **Recommendation** – The Center’s policies and procedures manual should be updated to provide the following benefits:
1. Assist in training additional or replacement personnel.
2. Increase uniformity in accounting and in the application of policies and procedures.
3. Document the Center’s policies so that decisions will not have to be evaluated each time similar situations arise.

STAFF CONTACT: Russ Trimble (Ext. 14613)

Audit Report - Department of Natural Resources



**Audit Report** The State Auditor issued the FY 1999 Audit Report for the Department of Natural Resources on June 30, 2000. The report was received by the Legislative Fiscal Bureau on July 12, 2000.

**Reportable Conditions *Reportable Conditions* -** The Report commented on several compliance issues with regard to the Code of Iowa which have not been accomplished by the Department. Some of the issues include:



**Segregation of Duties *Segregation of Duties* -** Miscellaneous receipts collected by the Department of Natural Resources are submitted to the cashier’s office for deposit. Persons working in this area can collect, record, and deposit the money received. The Department maintains pre-numbered receipt books for miscellaneous receipts, which are not reconciled to the deposit function in the Department. There is no documentation as to the individuals that have custody of the receipt books.

* Recommendation - The Department should ensure adequate segregation of duties over miscellaneous receipts. This should include an independent reconciliation of the amounts recorded in receipt books and amounts deposited. The Department should account for the receipt books in numerical order.
* Response – Receipts received in the mail are recorded on a daily mail log and the log is reconciled on a daily basis to the cashier’s deposit. Over-the- counter receipts that are collected by the Department are received, recorded, and deposited by the same person. The Department feels additional segregation would not be cost effective. The Department established a new system for control of receipt books.
* Conclusion - Response acknowledged; however, an independent person should reconcile fees collected by Department.

**Camping Receipts *Camping Receipts* -** The Department has established policies and procedures for fee collection from campers at State parks and other facilities. At seven of the 15 parks tested, receipt listings were not prepared, and at three of the parks, the deposits were not reconciled to the listings.

* Recommendation - The Department should remind personnel of the policies and procedures to ensure proper collection, recording, and reconciliation of camping receipts.
* Response - The Department has written procedures for camping receipts and will instruct all park managers to review the procedures with their staff.
* Conclusion - Response accepted.

**Stormwater Discharge *Stormwater Discharge Permit* -** There was a lack of accountability over the stormwater discharge applications and no procedures in place for returning or refunding permit fees.

* Recommendation - The Department should establish and implement procedures that will provide accurate recording of all stormwater applications and the handling of returns or refunds of permit fees.
* Response - The Department has adequate procedures for processing applications. The Department does not refund permit fees when incomplete applications are received.
* Conclusion - Response acknowledged; however, refunds should be issued to those applicants not receiving a permit.



**Data Processing Systems *Electronic Data Processing Systems*** - The Department does not have written policies for systems documentation, testing of systems and programs, security of critical data, clear identification of ownership of in-house developed software, and back-up requirements for off-site data storage with regards to disaster recovery.

* Recommendation - The Department should develop written policies addressing the concerns of electronic data processing.
* Response - The Department has been working on developing written policies and will have them completed during FY 2001.
* Conclusion - Response acknowledged.

**Licenses *Licenses*** - The Department distributes fishing and hunting licenses through county recorder’s offices and independent vendors. The county recorders and outside vendors are to send monthly sales receipts reports to the Department. As of July 1999, one county recorder and four vendors had not remitted license sales receipts and had not returned unsold licenses for the calendar year ending December 31, 1998.

* Recommendation - The Department should develop procedures to monitor vendors for timely remittance of license sales receipts and unsold licenses.
* Response - The Department does have procedures established for timely remittance of license sales receipts and unsold licenses.
* Conclusion - Response acknowledged.

**Other Findings** Other findings and matters included:

* Water Coordinator-–Section 455B.105(10), Code of Iowa, states the Environmental Protection Commission should appoint a water coordinator to process public requests for information or assistance relating to the administration of water resources laws and programs. The Commission has not appointed a water coordinator.
* Pollution Hotline Program—Section 455B.116 in the Code of Iowa states that the Department of Natural Resources should establish a toll-free number for citizens to report incidents resulting in the pollution of the environment. The Department has not established this program.
* Abandoned Wells Campaign—Section 455B.190(4), Code of Iowa, specifies the Department will sponsor an advertising campaign to notify owners of the deadline for plugging wells, penalties for non-compliance, and information about receiving assistance. The Department has printed pamphlets and maintained an Internet site but did not disclose penalties for non-compliance.

* Water Allocation and Use for Flood Plain Control—Section 455B.262, Code of Iowa, states the Department will assess the water needs of all water users and submit a progress report to the General Assembly. The Department has not assessed the needs or submitted a progress report.
* Criteria for Identifying Characteristics of Hazardous Waste—Section 455B.412(2), Code of Iowa, states the Department will adopt rules to establish criteria to identify characteristics of hazardous waste. The Department has not adopted the rules.
* Registry of Hazardous Waste or Hazardous Substance Disposal Sites—Section 455B.426(2), Code of Iowa, states the Director will investigate all known or suspected hazardous waste or hazardous waste disposal sites. The Department has not investigated all known or suspected hazardous waste disposal sites.
* Pesticide and Fertilizer Contaminated Sites and Prioritization of Cleanup—Section 455B.601(1), Code of Iowa, states the Environmental Protection Commission will adopt rules to establish criteria for classification and prioritization of sites where contamination is discovered. The Commission has not adopted rules to establish the criteria.
* Comprehensive Groundwater Monitoring Network—Section 455E.8(1), Code of Iowa, states the Director will develop a comprehensive groundwater monitoring network in cooperation with soil and water conservation district commissioners and other State and local agencies. The Department has not developed a comprehensive groundwater monitoring network.

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

STAFF CONTACT: Deb Kozel (Ext. 16767)

audit report - department of education



**Audit Report** The State Auditor issued the FY 1999 Audit Report for the Department of Education on June 27, 2000. The Legislative Fiscal Bureau received the report on June 30, 2000

**Findings *Compliance* –** The report included two findings regarding compliance with the Code of Iowa:

* The Department has not established a program to provide for the allocation of grants to school corporations to encourage the recruitment and advancement of women and minorities to administrative positions, as required in Chapter 256.23.

The Department has not established a Youth 2000 Coordinating Council, as required in Chapter 256.41

Recommendation – The Department should implement procedures to ensure compliance with the Code of Iowa.

Response – The Department is unable to comply with the statutes until funding for such purposes is appropriated.

Conclusion – Response acknowledged. The Department should take necessary action to obtain funding or have the requirement removed from the Code of Iowa.
* The Department has not filled several vacancies for non-voting representatives from AEAs and community colleges on the seven Regional Library Boards, as provided in Chapter 256.62.

Recommendation – The Department should implement procedures to ensure compliance with the Code of Iowa.

Response – The Department continues to work with the staff of the Division of Library Services and the Administrators of the Regional Libraries to improve the Regional Library Board vacancy notification process.

Conclusion – Response accepted.

**Service Contracts *Contractual Agreements* –** The report identified several shortcomings in the Department’s handling of service contracts with outside parties:

* Lack of proper approval prior to execution of contracts.



* Sole source selection of contractors that did not appear to meet the requirements in the Department of Revenue and Finance’s Accounting Policy and Procedures Manual.
* Amendments initiated after the contract’s original termination date.
* Amendments made to increase vendor’s rate of pay or for incidental expenditures that did not increase or extend the service provided to the Department.

Recommendation: The Department should ensure that contracts utilize public funds appropriately, are properly approved, and comply with the policies and procedures established by the Department of Revenue and Finance.

Response – The Department continues to review contract procedures with respect to timely execution and amendments. The Department is currently reviewing and updating the criteria used to document sole source contracts.

Conclusion – Response accepted.

**Allocation of TIme *Allocation of Employee Time* –** The report found that eleven employees who allocate their hours between funds were doing so based on pre-established percentages, rather than time actually spent working on a particular program.



* Recommendation – The Department should implement procedures to ensure that amounts recorded on the time sheets represent actual time spent on the program.
* Response – The Department has established in each work unit a reporting mechanism for actual hours, so that payroll costs can be distributed to individual funds more accurately. Time reports are being closely monitored to ensure that actual hours are reported and that percentages charged to individual programs are appropriate.
* Conclusion – Response accepted.

**Segregation of Duties *Segregation of Duties* –** The report found that one Department employee had the authority to create and approve on-line timesheets and to create new employee records and authorize pay raises.

* Recommendation – The Department should review and revise its internal controls to ensure proper segregation of payroll duties.
* Response – The Department will review its assignment of duties to determine if there are alternative ways of providing coverage for all duties and responsibilities related to the Human Resources Information System, given the small number of staff available to perform those duties.
* Conclusion – Response accepted.

**Policies & Procedures *Written Policies and Procedures* –** The report found that the Department did not have a formal policy regarding security for data processing equipment and software in the event of a disaster or infringement.

* Recommendation – The Department should develop and implement a formal data processing security policy.
* Response – The Department continues to work on such policies and procedures. The response cites several procedures currently in place for securing original software, limiting access to network equipment, and backing up the system nightly.
* Conclusion – Response accepted.

STAFF CONTACT: Robin Madison (Ext. 15270)

Audit - Department of Human Services



**Audit Report** The State Auditor issued the FY 1999 Audit Report for the Department of Human Services (DHS) on June 27, 2000. Single audit report comments include:

**Social Security Numbers** Requiring Social Security numbers for eligibility: The State Auditor indicates that the DHS is to comply with the Code of Federal Regulations requiring a Social Security number for all recipients. The Auditor acknowledged (not accepted) the DHS response stressing the improvements undertaken.

**Food Stamp Payments** Food Stamp Payments: The State Auditor indicates the DHS needs to implement procedures to provide the appropriate amount of food stamp payments, rather than overpayments. The Auditor accepted the DHS response indicating internal reviews are taking place and that field staff are being directed to initiate recoupment proceedings.

**Cash Management** Payroll Cash Management: The State Auditor indicates the DHS has incurred instances where federal funds for payroll have not been drawn in a timely manner. The Auditor accepted the DHS response that improvements need to be made.

**TANF Payments** Temporary Assistance for Needy Families (TANF) payments: The State Auditor indicates the DHS should implement procedures to provide the appropriate amount of TANF payments, rather than overpayments. The Auditor accepted the DHS response indicating internal reviews are taking place and that recoupment would be initiated if appropriate.

**Field Offices** Field Offices: The State Auditor indicates that reportable conditions were determined regarding controls over cash receipts, controls over cash disbursements, and controls over fixed assets (inventory). The Auditor accepted the DHS response changing the employee manual regarding cash receipts. The Auditor acknowledged (not accepted) the DHS response regarding the staff responsible for cash disbursements and annual inventories.

**Grant Cash Management** Child Care Development Block Grant Cash Management: The State Auditor indicates this Block Grant account had excessive positive cash balances during FY 1999. The Auditor accepted the DHS response that adjustments would be made to the balance.

**Title IV-E** Title IV-E (foster care): The State Auditor indicates that guidelines within the employee manual relating to the case plans were not always adhered to. The Auditor accepted the DHS response to improve the case plan process.



**Adoption Assistance** Adoption Assistance Reports: The State Auditor indicates the federal government requires a report for data of all adopted children either placed by the Department or for whom the Department is providing adoption financial assistance, and such report was not available. The Auditor acknowledged (not accepted) the DHS response indicating that alternative reports are used to submit the information to the federal Department of Health and Human Services.

**Foster Care Adopt. Asst.** Foster Care (Title IV-E) Adoption Assistance: The State Auditor indicates the employee manual requires reevaluation of a subsidy financial assistance plan every two years, which did not take place in all cases examined by the Auditor. The Auditor accepted the DHS response indicating that staff has been reminded of the two-year requirement.

**HAWK-I Program** Healthy and Well Kids in Iowa (HAWK-I) Program Eligibility: The State Auditor indicates the third party administrator is required to determine eligibility within ten working days, which did not take place in all cases examined by the Auditor. The Auditor acknowledged (not accepted) the DHS response regarding planned quality review procedures.

**Medical Asst. Claims** Medical Assistance Claims – Date of Death: The State Auditor indicates that in some cases the Department paid Medicaid claims for services provided after the recipient’s reported date of death for $65,000 and could not show documentation for any funds recouped. The Auditor acknowledged (not accepted) the DHS plan for the contracted fiscal agent to recover payment for services after death of a recipient on an annual basis.

**Health Ins. Prem. Program** Health Insurance Premium Payment Program: The State Auditor indicates that it would be appropriate for separate income maintenance workers to approve the applicants for payment of health insurance premiums and for entering the applicants into the Health Insurance Premium Payment System, to allow for checks and balances. The Auditor accepted the DHS response indicating a new system regarding the data entry, as well as approval, is underway.

**Data Processing System** Consultec – Automated Data Processing System: The State Auditor indicates the Code of Federal Regulations requires the Department to review the security system of automated data processing systems on a biennial basis and the Department does not have such a review process in place. The Auditor accepted the DHS response that an outside contractor will be required in this fiscal agent’s (Consultec) contract for this review.

**Department Plan** The State Auditor also accepted the Department’s plan:



* To eliminate excessive negative cash balances by making more frequent draws of the funds for federal programs Temporary Assistance for Needy Families (TANF), Child Care Development Block Grant, Child Care Development Fund, Foster Care (Title IV-E), Adoption Assistance, and the State Children’s Insurance Program.
* To provide more accurate billings to counties for services of Intermediate Care Facility/Mental Retardation, Enhanced Services, Mental Retardation Waiver, and Brain Injury Waiver.
* To ensure that the Department of Inspections and Appeals receive payroll payments for services provided to the DHS in the food stamp program within two weeks after the request by the Department of Inspections and Appeals.

**Plan Acknowledged** The State Auditor also acknowledged (not accepted) the Department’s plan to improve maintenance of the supporting documentation for payment of inpatient hospital services and long-term care for intermediate care facilities and intermediate care facilities for the mentally retarded.

**Other Findings** Findings related to statutory requirements included:

* The State Auditor accepted the DHS response to a recommendation regarding improvements of documentation of services provided prior to payment for the services, using the overpayment of up to $1.3 million to a contractor for court-ordered treatment services for delinquent juveniles as an example.
* The State Auditor accepted the DHS response to a recommendation to improve recovery of overpayments in the child care arena, using an overpayment of $74,000 to a specific child care provider as an example.
* The State Auditor accepted the DHS response to a recommendation to improve the real and personal property inventory listing.
* The State Auditor acknowledged (not accepted) the DHS response to a recommendation for compliance with a preaudit requirement for contracts for professional services under the Governor’s Executive Order #60.
* The State Auditor accepted the DHS response to a recommendation relating to compliance with affirmative action committees at the various levels within the Department.
* The State Auditor accepted the DHS responses to recommendations relating to compliance with statutory requirements, including:

Central Data Control.

Membership of the State Child Day Care Advisory Council.

Interim Assistance Reimbursement Program county agency records.

* The State Auditor acknowledged (not accepted) the DHS response to a recommendation relating to the separation of programming duties from testing duties.

**Copies Available** A copy of the audit is available upon request.

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

Audit report - Department of Human Services Institutions



**Audit Report** The State Auditor issued the FY 1999 Audit Report for the institutions operated by the Department of Human Services (DHS) on June 26, 2000. The Department of Human Services is responsible for the operation of eight institutions relating to mental health, juveniles, and the mentally retarded. The audit provides for a comparison of cost per resident for FY 1999 as well as an average daily cost per resident. The following table reflects the data:

 FY 1999 Institutional Cost per Resident

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Institution |  | **FY 1999 Cost Per Resident** |  | **FY 1999 Average Daily Cost Per Resident** |
| Clarinda Mental Health Institute |  | $105,076 |  | $287.88 |
| Mt. Pleasant Mental Health Institute |  | $93,342 |  | $255.73 |
| Cherokee Mental Health Institute |  | $206,826 |  | $566.65 |
| Independence Mental Health Institute |  | $132,656 |  | $363.44 |
| Woodward State Hospital School |  | $111,449 |  | $305.34 |
| Glenwood State Hospital School |  | $102,142 |  | $279.84 |
| State Juvenile Home – Toledo |  | $69,623 |  | $190.75 |
| State Training School – Eldora |  | $50,511 |  | $138.39 |

**Findings** The Audit had no findings to report for the Mental Health Institute at Clarinda, the Mental Health Institute at Mt. Pleasant, the Mental Health Institute at Cherokee, the Mental Health Institute at Independence, the State Juvenile Home at Toledo, and the State Training School at Eldora.

**Woodward** The Auditor indicated that at the State Hospital School at Woodward the required biannual physical inventory had not been taken and accepted the response from the Department of Human Services (DHS) that specific changes are taking place to provide the inventory.

**Glenwood** The Auditor indicated that at the State Hospital School in Glenwood only 69.0% of federal funds for the Foster Grandparent Program had been expended for stipends to the grandparents rather than the required 90.0% of funds, with the remaining 31.0% expended upon administration and salaries. The Auditor accepted the response from the DHS that compliance will take place in the future.

**Copies Available** Copies of the audit are available upon request.

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