FISCAL UPDATE July 18, 2002

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| **IN THIS ISSUE:** | **Fund Transfers** | Senior Living Coordinating Unit Mtg., pg. 9 |
|  | Dept. of Corrections, pg. 1 | Oversight Committee Meetings, pg. 11 |
|  | Dept. of General Services, pg. 2 | **Audit Reports**: |
|  | Office of the Governor, pg. 2 | Sewage Treatment/Drinking Water Prgms., pg. 13 |
|  | Dept. of General Services, pg. 2 | Dept. of Public Safety, pg. 13 |
|  | Lottery Revenues/Expenses, pg. 3 | Iowa Law Enforcement Academy, pg. 14 |
|  | IPTV New Executive Director, pg.4 | Judicial Branch, pg. 16 |
|  | ICN/ITTC Personnel Changes, pg. 4 | Dept. for the Blind, pg. 16 |
|  | Status of African Americans Div. Admin., pg. 5 | Commission of Veterans Affairs, pg. 16 |
|  | Adult Day Care/Respite Services, pg. 5 | Civil Rights Commission, pg. 18 |
|  | ICN Agreement w/National Guard, pg. 6 | Dept. of Education, pg. 18 |
|  | Natural Resources Commission Mtg., pg. 7 | Dept. of Cultural Affairs, pg. 19 |
|  | Economic Development Board Mtg., pg. 8 | Dept. of Agriculture/Land Stewardship, pg. 19 |
|  | College Student Aid Commission Mtg., pg. 9 | County Clerks of District Courts, pg. 20 |
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Allocation Transfers - Department of Corrections

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**Allocation Transfers** The Legislative Fiscal Bureau received notice pursuant to Section 904.116, Code of Iowa, that the Department of Corrections (DOC) is reallocating $799,000 from the Fort Dodge Correctional Facility to the Iowa State Penitentiary at Fort Madison ($600,000), North Central Correctional Facility at Rockwell City ($179,000), and the Anamosa State Penitentiary ($20,000).

**Unanticipated Cost Increases** Fort Dodge has funds to transfer out of its budget due to salary savings from unanticipated vacancies. The Iowa State Penitentiary at Fort Madison experienced unanticipated cost increases in supplies, worker’s compensation, drugs and biologicals, outside repairs, and equipment. The Anamosa State Penitentiary experienced unanticipated cost increases in supplies, drugs and biologicals, utilities, and worker’s compensation. The North Central Correctional Facility at Rockwell City experienced unanticipated cost increases in communications, outside repairs, and worker’s compensation.

**CBC Reallocations** The Legislative Fiscal Bureau received notice pursuant to Section 905.8, Code of Iowa, that the DOC is reallocating $240,000 between five of the eight Community-Based Corrections (CBC) District Departments. The Fourth ($150,000) and Sixth ($90,000) CBC District Departments are transferring funds out of their budgets. The Fourth CBC District Department has funds available to transfer due to the delayed opening of the Women’s Facility in Council Bluffs. The Sixth CBC District Department has funds available to transfer due to increased local revenue.

**Reason for Reallocations** The First CBC District Department is receiving $90,000 due to unanticipated cost increases in worker’s compensation, outside repairs, and food. The Second CBC District Department is receiving $70,000 due to unanticipated cost increases in communications and other expenses and obligations. The Third CBC District Department is receiving $80,000 due to unanticipated cost increases in other expenses and obligations.

**More Information** Please contact the Legislative Fiscal Bureau if you have any questions or concerns.

STAFF CONTACT: Beth Lenstra (Ext. 16301)

Department of General Services Appropriations Transfer

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**Appropriations Transfer** The Department of General Services is proposing to transfer $500,000 from the funds appropriated for the Metropolitan Medical Center Option to Purchase to the Capitol Interior Restoration. The Department states that the transfer is necessary because sufficient funds are not available to complete renovation work of the Capitol Building interior, which includes restoration of the House and Senate chamber chairs and benches, Senate side chairs, painting of the window exterior woodwork on the west side of the Capitol, and completion of activities associated with the restoration of the chambers’ decorative painting.

**Action Finalized** Action on this transfer will not be finalized until July 24, 2002.

STAFF CONTACT: David Reynolds (Ext. 16934)

THE OFFICE OF THE GOVERNOR SECTION 8.39 APPROPRIATIONS TRANSFER

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**Approp. Transfer** The Office of the Governor transferred funds under Section 8.39, Code of Iowa. The transfer is for FY 2002 and involved $36,000 from the Governor’s General Office. Terrace Hill Quarter received $33,000 and $3,000 was for Terrace Hill Operations in the Department of General Services Budget.

**Reason for Transfer** According to the notification, the transfer was necessary due to expenditures that were greater than anticipated when the budget for FY 2002 was submitted.

**Expenditures Monitored** The Fiscal Bureau will continue to monitor the expenditures.

STAFF CONTACT: Ron Robinson (Ext. 16256)

THE DEPARTMENT OF GENERAL SERVICES SECTION 8.39 APPROPRIATIONS TRANSFER

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**Approp. Transfer** The Department of General Services transferred funds under Section 8.39, Code of Iowa. The transfer is for FY 2002 and involved $35,000 from the Property Management Division of the Department of General Services to the Operations Division of the Department of General Services.

**Reason for Transfer** According to the notification, the transfer was necessary due to the realignment of staff and services.

**Expenditures Monitored** The Fiscal Bureau will continue to monitor the expenditures.

STAFF CONTACT: Ron Robinson (Ext. 16256)

LOTTERY REVENUES AND EXPENDITURES THROUGH MAY



**May Revenue/Expenses** Through May FY 2002 Lottery game revenues increased $9.6 million from the FY 2001 level. Lottery prize expenses increased $3.2 million, operating expenses increased $1.4 million, and transfers to State funds increased $4.6 million. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

**Comparison to FY 2001** Fiscal year sales through May, compared to the same time period of FY 2001, were as follows:

* Instant ticket sales decreased $3.4 million (4.6%).



* Pick 3 sales increased $820,000 (23.5%).
* Multi-State Powerball sales increased $8.4 million (18.0%).
* Rolldown sales decreased $834,000 (42.3%).
* Freeplay Replay sales decreased $281,000 (46.6%).
* Cash 4 Life sales decreased $481,000 (100.0%).
* Daily Game sales increased $79,000 (2.1%).
* Pull-tab sales increased $581,000 (2.5%).

**Ticket Sales** Total Lottery sales through May were $164.0 million, an increase of $9.6 million (6.2%) compared to May 2001. July through May 2002 sales for the Pull-Tabs, Daily Game, Powerball, and Pick 3 were above sales for the same period during FY 2001. Included in the sales amount is the receipt of $1.2 million due to the demutualization of Principal Mutual Insurance Company, and $1.8 million net settlement proceeds from a settlement with Scientific Games, Inc. Scientific Games, Inc., was the vendor for the replacement of store terminals.

**Hot Lotto** Hot Lotto, which was not offered until April 7, 2002, had sales through May of $778,000. Hot Lotto replaced Rolldown, which ended April 6, 2002.



**Estimated Transfers** The May Revenue Estimating Conference (REC) projected FY 2002 Lottery profit transfers to the General Fund will total $38.6 million. Actual profit transfer for FY 2001 was $36.1 million. Therefore, the REC is currently estimating General Fund Lottery transfers will be $3.2 million (9.0%) higher in FY 2002 than in FY 2001. Through May, FY 2002 transfers to the General Fund are $4.6 million (14.5%) above FY 2001.

**One-time Transfer** House File 2627 (FY 2003 Omnibus II – Second Special Session) requires the lottery to deduct $500,000 from its calculated retained earnings before making lottery proceeds transfers to the State General Fund during FY 2003. The impact will be an increased one-time transfer of $500,000 during FY 2003.

**Sales Tax** In addition to the amount transferred to the State as profits, the Lottery has transferred $8.1 million in sales tax during FY 2002.

STAFF CONTACT: Ron Robinson (Ext. 16256)

New Executive Director for IPTV



**New IPTV Director** The Iowa Public Broadcasting Board announced on July 10 that it has appointed Daniel K. Miller to be Executive Director and General Manager of Iowa Public Television (IPTV), effective immediately. Miller has been with IPTV since 1975 and has been the network’s Director of Programming and Production for the past 16 years. He replaces C. David Bolender, who retired in January 2002.

**More Information** For further information, contact the Legislative Fiscal Bureau.

STAFF CONTACT: Robin Madison (Ext. 15270)

Personnel Changes Made to the ICN and the ITTC

**Personnel Changes** After eight years of service with the Iowa Communications Network (ICN), Harold “Tommy” Thompson retired as the Executive Director of the ICN. Michael “Mike” Bacino was named Interim Executive Director.



**ITTC** The ITTC is the policy-making board of the State-administered fiber optic network, the ICN. It was established along with the ICN during the 1994 legislative session. During the 1996 legislative session, the membership of the Commission was increased from three to five. Robert Hardman will replace Dick Opie who retired after seven years of service. Mr. Hardman’s term runs through 2008.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Governor Appoints Division Administrator for the Status of African Americans, Department of Human Rights

**Division Admin. Appointed** The Governor appointed Ruth White as the Division Administrator on the Status of African Americans, Department of Human Rights, on June 13. The appointment of Ms. White is subject to confirmation in the Senate.

**Background** Ms. White is the current Director of the Academy for Scholastic and Personal Success and is also the Contributing Editor for Multicultural Content, Rising Star Project. In addition, she teaches Language Arts at Washington High School in Cedar Rapids, and she previously taught English at the University of Iowa and in local school districts in Illinois and Indiana.



**Contingent Funding** House File 2627 (FY 2003 Omnibus Appropriations II Act) specified that the General Fund appropriation to the Status of African Americans Division was contingent on the appointment of an administrator for the Division and appointment of all nine members to the Commission on the Status of African Americans.

**Commission’s Purpose** As part of the Department of Human Rights, the Commission on the Status of African Americans studies the changing needs and problems of African Americans in the State, and recommends new programs, policies, and constructive action to the Director of the Department and the Legislature.

STAFF CONTACT: Lisa Burk (Ext. 17942)

Department of Elder Affairs Will Not Adopt Administrative Rules to Rescind Iowa Adminstrative code, Chapters 24 and 25, Relating to Adult Day Care and Respite Services

**Administrative Rule Action** The Department of Elder Affairs will not adopt **ARC 1305B**, an amendment to rescind Iowa Administrative Code, Chapters 24 and 25, filed on January 4, 2002, and printed in the *Iowa Administrative Bulletin* on January 23, 2002. These chapters provide administrative rules for adult day care and facility-based and non-facility-based respite care.

**Options Will Be Studied** The Department will continue to study options related to the oversight of the adult day service industry, and a special task force appointed by the Governor to make recommendations on how to strengthen the Department is expected to consider what State department would best provide oversight to the industry.

**Adult Day Service In Iowa** Since the notice to rescind these two chapters was filed, there has been confusion regarding the regulation and deregulation of the adult day service industry in Iowa. At this time, Iowa is one of six states that do not have an official system of oversight or regulation for the adult day services industry. The Department reports that rescinding these chapters would not have deregulated the industry because the Department does not now, nor has it at any time, provided oversight to the industry.

**Oversight System** The 2001 General Assembly passed HF 655, an Act relating to the establishment of a system of oversight for adult day services, that directed the Department of Elder Affairs to implement a system of oversight and consumer complaint investigation for the adult day service industry in Iowa on July 1, 2002, or at such time as the General Assembly appropriated sufficient funds. The Act did not include an appropriation for FY 2002, and no appropriation was made for FY 2003.



STAFF CONTACT: Lisa Burk (Ext. 17942)

Iowa Communications Network Agreement with U.S. Army National Guard



**National Guard to Use ICN** The Iowa Telecommunications and Technology Commission entered into a 28E Agreement with the U.S. Army National Guard that will allow the Army National Guard to use the ICN for projects related to Homeland Security. Under the agreement, the ICN agrees to:

* Offer its services as a defense security test bed to develop State models for use by other states.
* Participate in all Homeland Defense exercises that are appropriate for participation by the ICN.
* Evaluate new and emerging products and software and to host training and demonstrations.
* Provide adequate network capacity to effectively test various applications on the network.

**Homeland Security** The Army National Guard agrees to include the ICN in its Homeland network planning and development efforts related to the State of Iowa.

**Funding** The funding of specific demonstration projects and exercises will be determined between the Commission and the Guard based on specific project requirements and build-out cost requirements. The agreement was effective on July 1, 2002.

**Appropriation** The General Assembly appropriated $5.0 million in FY 2003 from the Restricted Capital Fund to complete the build-out of Part III of the ICN. However, the appropriation was made contingent upon the designation of the ICN as a defense security test bed. This agreement fulfills the Commission’s requirement in order to receive the appropriated funds.

STAFF CONTACT: David Reynolds (Ext. 16934)

Natural Resource Commission Holds Meeting

**Commission Meeting** The Natural Resource Commission held a teleconference meeting on July 11. The following items were discussed:



**Construction Contracts** Linda Hansen, Administrator of the Management Services Division, asked the Commission to approve the following construction contracts:

* A contract for a wastewater treatment facility at Ledges State Park for $186,000.
* A contract for improvement of a wastewater facility at Beed’s Lake State Park for $196,000.
* A contract for renovation of the Education Center at Springbrook State Park for $92,000.
* A contract for renovation of a beach facility at Lake Keomah State Park for $338,000.
* A contract for renovation of a group camp building at Lake Keomah State Park for $238,000.
* A contract for improvement of a wastewater facility at Prairie Rose State Park for $197,000.
* A contract for improvement of a wastewater facility at Lake Ahquabi State Park for $313,000.
* The Commission approved the contracts.

**Leases** Ms. Hansen asked the Commission to approve the following leases:



* A five-year lease with Agriliance of Kansas City, Missouri, for $2,100 per year.
* A five-year lease with Continental Cement Company for $4,200 per year.
* A five-year lease with the Okoboji Yacht Club for $600 per year.
* A five-year lease with the Port Neal Corporation for $300 per year.
* A five-year lease with Shell Oil Company for $300 per year.

**Legislative Proposal** Ms. Hansen explained to the Commission that the Executive Council had final approval of all lease documents and that the Department would be submitting a legislative proposal during the next Legislative Session changing the authority to the Natural Resource Commission. The Commission approved the leases.

**Deer Tested** Mike Brandup, Administrator of Living Resources and Recreation Division, reported that 150 deer had been tested for the Chronic Wasting Disease and none of the deer had tested positive.

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

STAFF CONTACT: Deb Kozel (Ext. 16767)

Department of Economic Development Board Meeting



**Board Meeting** The Department of Economic Development Board of Directors met on June 20. The topics discussed included:

* BIO 2002 – Twenty-six Iowa co-sponsors, including the Department of Economic Development (DED) and the three Iowa universities, participated in an international biotechnology conference in Toronto, Canada, June 9-12. Kay Snyder (DED) described the activities promoting Iowa life sciences and biotechnology and recruiting potential workers in the biotech field.
* Community Economic Betterment Account (CEBA) – The Board approved a $130,000 zero-percent loan for Fredericksburg. The project involves relocation of an animal feed, vitamin, and mineral manufacturing operation from Chaska, Minnesota, to Fredericksburg. The relocation will create 35 jobs paying an average of $13.91 per hour and providing health and retirement benefits.
* Collaborative Strategic Plan – The Board approved the development of an economic development strategic plan. A taskforce-like group will be created with representatives from business, community, and economic development groups, along with DED Board members and selected DED staff.
* Contracts – The Board approved extension of contracts with individuals and private agencies providing foreign trade services, advertising, and public relations services for the Business Development and Community Development Divisions. Since the FY 2003 budget allocations have not been finalized, a number of the contracts were capped at half the FY 2002 level, with the understanding that DED staff would return later in the year to request additional funding.
* Strategic Investment Fund Goals – HF 2229 (Strategic Investment Fund Act) modified the Strategic Investment Fund so that it operates as a funding pool to provide services as demanded by the market, as opposed to allocating funds to programs. The Board approved the goals for the Fund, which allows flexibility in program utilization and the merging of the Self Employment Loan Program and the Targeted Small Business Program.

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* Administrative Rules – The Board approved changes to the CEBA administrative rules that will increase the maximum allowable award, increases the minimum wage rate, and makes various clarifications. Nonsubstantive clarifications were made to the Housing Fund Administrative Rules.

STAFF CONTACT: Dwayne Ferguson (Ext. 16561)

College Student Aid Commission Meeting - May

**Commission Meeting** The College Student Aid Commission met May 9 at St. Ambrose University in Davenport. Significant agenda items included:



* Administrative Rules – The Commission approved adoption of administrative rules governing license sanctions that allow the Commission to deny, revoke, or suspend any State authorized license held by a person that is in default on any student loan owed to or collected by the Commission.
* Administrative Loan Budget – The Commission approved the budget as presented by staff.
* National Student Loan Clearinghouse Contract – The Commission approved the three-year contract as submitted by staff. The contract cost is $5,000 per year. The Clearinghouse is a nonprofit, industry-sponsored consortium established to support the Title IV loan programs by simplifying the enrollment verification process.
* Tuition Grant Program Transfers – The Commission authorized staff to request funding transfers to offset overcommitment in the Iowa Tuition Grant Program. The shortfall is expected to be $110,000. Transfers would be made from other Commission appropriations to cover the shortfall.

STAFF CONTACT: Mary Shipman (Ext. 14617)

Quarterly Senior Living Coordinating Unit Meeting Held

**Coordinating Unit Meeting** The Senior Living Coordinating Unit held its quarterly meeting on June 21 and conducted the following business:



**Assisted Living** Rose Boccella, Department of Human Services (DHS), reported on assisted living conversion grants for nursing facilities. Ms. Boccella explained that the General Assembly placed a moratorium on conversion grants and no funds were appropriated from the Senior Living Trust Fund for this purpose for FY 2003. As a result, the DHS sent a letter to applicants that participated in the second Request for Proposal (RFP), explaining that funding would not be available to award conversion grants during FY 2003. Applicants approved during the second RFP process have completed architectural and financial feasibility studies, and some applicants did receive funding to complete these studies. In order to fund the conversion grants approved during the second RFP process during FY 2003, an estimated $11.0 million appropriation was needed. Ms. Boccella also noted that projects awarded conversion grant funds totaling $10.6 million in FY 2002 were underway and a few have been completed.



**Program Statistics** Greg Anliker, Department of Elder Affairs, reported that the Senior Living Program served 9,602 unduplicated clients from July 2001 through April 2002. The Senior Living Program provides clients with home and community-based services such as personal care, homemaker, chore, case management, home-delivered meals, and others. In addition, Mr. Anliker noted that since the implementation of the Senior Living Program in October 1999, 15,851 clients have received services.

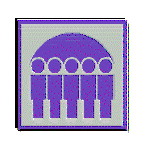
**Potential Policy Changes** Jennifer Steenblock, DHS, gave an update on potential policy changes in the Medical Assistance (Medicaid) Program relating to nursing facilities. These include facilities obtaining dual certification for both Medicare and Medicaid, adjusting reimbursement for bed hold days, and reimbursement of crossover claims between Medicare and Medicaid. The DHS staff and a contractor (Myers and Stauffer) are reviewing these strategies to reduce costs in the Medical Assistance (Medicaid) Program. The General Assembly proposed dual certification during the 2002 session; however, the Governor vetoed the provision, stating that work was currently being done at the DHS on this strategy.



**Accountability Measures** Ms. Steenblock also reported on nursing home accountability measures. House File 740 (FY 2002 Senior Living Trust Fund Appropriations Act) specified that the DHS implement a system of accountability measures for nursing facility outcomes based on quality and efficiency that could be used to provide additional payment to nursing facilities. Ms. Steenblock noted that all the necessary data has been received and compiled and is in the process of being analyzed. The work group responsible for the development of the accountability measures will meet again to evaluate nursing facilities performance and a DHS fiscal agent (Ryun Givens) will determine fiscal awards. The fiscal impact is to be determined later this summer.

**Elderly Waiver Participation** Michaela Funaro, DHS, gave an update on Elderly Waiver participation, reporting that for May 2002, there were approximately 4,000 clients that received services, such as homemaker, home-delivered meals, consumer-directed attendant care, transportation, adult day care, assisted living, and others through the Elderly Waiver, at an average cost per client of $374. In addition, Ms. Funaro reported that as of May 2002, there were 146 certified assisted living programs in the State and 48 were enrolled as Assisted Living Medicaid providers. Of the 48 enrolled providers, 32 were providing services through the Elderly Waiver to 94 clients.

**Waiver Updates** Eileen Creager, DHS, reported on waiver updates and provided the following information:



* The DHS currently has six waivers within the Medical Assistance (Medicaid) Program. During the week of July 22, representatives from the Centers for Medicare and Medicaid Services (CMS) will be conducting an on-site review of the Disability and the Ill and Handicapped Waivers in Iowa. Representatives from the CMS plan to visit Des Moines, Council Bluffs, and Cedar Rapids to interview caseworkers, recipients, and families of recipients. The DHS staff is currently pulling case samples and working to provide the CMS with requested information.
* The CMS has a goal to make all waivers uniform to the extent possible in terms of definitions, services offered, eligibility requirements, and service plans. The CMS also has a goal to combine/consolidate waivers into three types, including Nursing Facility, Intermediate Care Facilities for Mental Retardation, and HIV/AIDS waivers.

**Next Meeting** The next quarterly meeting of the Senior Living Coordinating Unit will be held on September 20, at 9:00 a.m.

STAFF CONTACT: Lisa Burk (Ext. 17942) Sam Leto (Ext. 16764)

Legislative Oversight Committee Meeting – June & July

**June Oversight Meeting** The Legislative Oversight Committee met on June 20 in Room 19 of the Capitol and at remote sites using the Iowa Communications Network.

**Presentations** During the morning segment of the meeting the Committee heard the following individuals presentations:



* Robert Paxton, President, Iowa Central Community College and Mark Crimmins, President of the Iowa Central Community College Board of Directors answered questions from the Committee regarding the incident of grade tampering at Iowa Central Community College.
* Both individuals stated that the incident had been satisfactorily resolved through the Courts and that the reputation of the Community College had not been damaged. Support for the Community College among local business leaders has remained strong.
* Mr. Paxton was asked to provide the Oversight Committee with Community Colleges’ Annual Report by Sport of Expenses and Revenues for each sport the College supports.
* Gene Gardner, Executive Director, Iowa Association of Community Colleges, answered questions regarding interscholastic sports and coaching salaries at community colleges.

**Revenue Estimating** During the afternoon, the Oversight Committee was joined by the Legislative Fiscal Committee for a joint meeting to begin discussions of the revenue estimating process in Iowa and other states. The Committees heard presentations from the following individuals:

* Dennis Prouty, Director, LFB, presented the Committee with a history of the revenue estimating process in Iowa and the various taxes that impact Iowa’s General Fund.



* Mike Lipsman, Department of Revenue and Finance, was asked if information is available regarding tax code changes that involve tax credits, exemptions, and reductions. Mr. Lipsman noted that the Department issues an annual report on State tax actions at the end of each Legislative Session and he will provide copies of the past three to five years of the report to members of both Committees.
* Additionally, Mr. Lipsman was asked if he could generate a break down of average tax refunds for individuals by income category for the past several years. He said he would have the information by the Committees’ next meeting.
* Arturo Perez, National Association of State Legislatures (NCSL), discussed the revenue shortfalls encountered by the majority of the States. He explained the difference in the revenue estimating processes between the states and the factors that resulted in a few states not being impacted during this economic recession.
* Mr. Perez was asked to identify any state that might serve as a model for Iowa to contact and discuss the revenue estimating processes. Mr. Perez said he would let the Committees know if he thought any other state might be appropriate to contact.
* Mr. Perez was also asked if he could put together a ten-year history of how the various states have done in revenue estimating, comparing what they initially estimated for each year and the amount of actual receipts collected for those years. Mr. Perez said he would try to have that information by the next Oversight Committee meeting.

**July Meeting – Revenue Est.** The Legislative Oversight Committee met July 9. The Committee members heard presentations from and discussed the following:



* Holmes Foster, member of the Revenue Estimating Conference (REC), presented the Committee with an overview of the revenue estimating process and what can be done to improve the process. Mr. Holmes stated that there is a need to establish a working relationship with business and industry, realize the difficulty in forecasting one to three years in the future, develop a revenue forecasting model, establish a liaison with the federal reserve to improve information on the national economic trends, and make changes to the Iowa Model and development of REC software.
* David Underwood, member of the REC, presented the Committee with additional recommendations to improve the estimating process. Mr. Underwood stated that more time and money will need to be spent to understand the pieces that make up State revenues, obtain detailed data regarding income returns, and understand the sources of revenue.
* Mike Lipsman, Department of Revenue and Finance, presented the Committee with information regarding revenue and refund tracking, analysis and reporting.
* Beth Ingram, Chair of the Iowa Economic Forecasting Council, presented the Committee with an overview of tax revenue forecasting. Ms. Ingram informed the Committee that the forecasting information produced by the Forecasting Council can be found on the University of Iowa web site: [www.biz.uiowa.edu](http://www.biz.uiowa.edu).
* Dan Otto, member of the Iowa Economic Forecasting Council, presented the Committee with information regarding the agricultural sector in Iowa and its effect on the Iowa economy.

**Next Meeting** The Committee discussed the topics for the next Oversight Meeting to be held August 26 and 27, in Room 19 of the Capitol.

**More Information** Information distributed to Committee Members can be viewed on the LFB web site at <http://staffweb.legis.state.ia.us/lfb/subcom/oversight/oversight_docs.htm>.

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

Audit Report - Iowa Sewage Treatment Works and Drinking Water Facilities Financing Programs



**Audit Report** The State Auditor issued the FY 2001 Audit Report for the Iowa Sewage Treatment Works Program and the Iowa Drinking Water Facilities Program on February 15. The Legislative Fiscal Bureau received the report on June 12.

**Background**  The Iowa Sewage Treatment Works 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.



**Drinking Water Program** The Iowa Drinking Water Facilities Financing Program was created by the State in 1997 and amended in 1998 to implement provisions of the federal Safe Drinking Water Act Amendments of 1996. The Program authorizes the Environmental Protection Agency to make capitalization grants to states for the purpose of establishing a drinking water revolving fund to finance the construction of drinking water facilities. States must provide at least 20% in matching funds.

**Reportable Conditions**The Report indicated there were no reportable conditions noted in the financial reporting and operation of the Iowa Sewage Treatment Works Program and the Drinking Water Facilities Financing Program. The Report indicated the Programs 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)

Audit Report - Department of Public Safety

**Audit Report** On June 5, the Legislative Fiscal Bureau received the audit report on the Department of Public Safety issued by the State Auditor for FY 2000 and FY 2001.



**Internal Control Internal Control:** Chapter 7A.30 of the Code of Iowa (Fixed Assets) requires each department and division of State government to maintain an accurate, up-to-date inventory of all real and personal property belonging to the State.

Recommendation **-** The Auditor recommended that the Department report timely reconciliations between capital outlay expenditures and additions reported on the equipment records. The Auditor also recommended the Department ensure accurate and current records are maintained.

Response **-** The Department has had troubles regarding fixed assets despite improvements implemented to reconcile fixed asset expenditures. The Department will continue to explore making further adjustments in procedures. The response was accepted.

**Statutory Requirements Statutory Requirements:** The Department uses a simplified method for calculating its indirect cost rate. Under this method, both direct costs and indirect costs are to exclude capital expenditures.

Recommendation **-** The Auditor recommendedthat capital expenditures be excluded from the indirect cost rate calculation.

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Response **-** The FY 2001 actual indirect cost rate calculation has already been submitted; however, the FY 2002 indirect cost rate proposal includes documentation of the State Services function and excludes all capital expenditures. The response was accepted.

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**Personal Services Personnel Services Contracts:** The Department of Revenue and Finance (IDRF) Policy 240.102 provides general guidelines to be used by departments when entering into personnel services contracts.

Recommendation **-** The Auditor recommended that the Department complete the forms required by Revenue and Finance prior to signing a personnel services contract.

Response **-** The Department has made all administrators aware of the requirements contained in Policy 240.102 and will continue to do so. The response was accepted.

**Code Compliance Code Compliance:** Chapter 8D.10, Code of Iowa, requires any agency that is part of the Iowa Communications Network to annually provide a written report to the General Assembly certifying the identified savings associated with the use of the network. The report is due on or before January 15 for the previous fiscal year.

Recommendation **-** The Auditor recommended that the Department comply with the Code of Iowa and submit the report.

Response **-** The Department will submit the report on ICN savings to the Legislative Fiscal Bureau effective with FY 2002. The response was accepted.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Audit Report - Iowa Law Enforcement Academy

**Audit Report** On June 3, the Legislative Fiscal Bureau received the report issued by the State Auditor for FY 2000 and FY 2001 for the Iowa Law Enforcement Academy. The following were the findings:



**Segregation of Duties Segregation of Duties:** The segregation of duties is an important aspect of internal control among employees so that the activities of one employee act as an independent check on those of another.

* Fixed Assets – Generally one individual has control over the accounting area of fixed assets.
* Receipts – Generally one individual has control over the duties of entering, posting, and depositing receipts.
* Payroll – Employees of the Academy can initiate and approve payroll transactions on the Human Resource Information System (HRIS).

Recommendation **–** The Auditor recognized that the Iowa Law Enforcement Academy has a limited number of employees, which makes the segregation of duties difficult. However, the Auditor recommended that the Academy review its control procedures to obtain maximum internal control under the circumstances.

Response –

* Fixed Assets – The Academy’s fixed asset records are maintained in a database established in Microsoft Access. A report can be generated that will extract assets deleted during any given fiscal year and then is signed by the Director or the Assistant Director and maintained with the GAAP report file. The response was acknowledged. Internal controls could be strengthened if another individual is involved in verifying the existence of fixed assets.



* Receipts – The Academy does recognize the importance of proper segregation of duties, however, with the current Academy staffing levels, proper segregation of duties is not possible. As a result of the budget cuts, the accounting clerk who retired at the end of May 2001 will not be replaced. The Academy accountant is the only staff member with the knowledge, skills, and training. Under current staffing levels, the Academy believes it has maximized segregation of duties. The response was acknowledged. Internal controls can be strengthened if the Director or Assistant Director compared the CRQ document to the report prepared by the secretary before signing the CRQ document to make sure the amounts agree.
* Payroll – Under the HRIS security requirements, the agency employee who initiates a payroll transaction must be the payroll administrator. At the Academy, the payroll administrator is the accountant. The Iowa Department of Personnel must authorize each individual to hold each level of document approval, and given that the Academy has a staffing level inadequate to provide additional segregation of duties beyond the current involvement of the Director, Assistant Director, Accountant, and Public Service Supervisor, the Academy believes that it is practicing the maximum segregation of duties possible under the circumstances. The response was acknowledged. Internal controls can be strengthened if the person who approves the payroll transactions is different from the person who initiates the transaction.



**Travel Expense Claims Travel Expense Claims:** The Iowa Department of Revenue and Finance Procedure 204.150(3) requires that travel payments must contain the original signature of the employee and should include the original documents for lodging, registrations, a Certificate of Non-availability, and proper approval from Fleet & Mail Division of the Department of General Services for payment of gas purchases for a State vehicle.

Recommendation **–** The Academy should establish procedures to ensure that the documentation of travel expense claims complies with the Department of Revenue and Finance procedures.

Response **–** The Department stated that most of the problems resulted from the inaccurate preparation of the claims by the Academy’s accounting clerk who retired the end of May 2001. The Department of Public Defense pre-audits all Academy claims. The response was accepted.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Audit Report - Judicial Branch

**Audit Report** On June 12, the Legislative Fiscal Bureau received the audit report from the Auditor of State’s office.



**Reportable Condition** The only reportable condition was in regard to internal control. Chapter 7A.30, Code of Iowa, requires each department to maintain up-to-date inventory of all real and personal property belonging to the State. It was recommended that the Judicial Branch review its fixed asset procedures. The Judicial Branch agreed to continue to work toward improvement and the response was accepted.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

Audit Report - Department for the Blind



**Audit Report** The Legislative Fiscal Bureau (LFB) received notification that the annual audit report for the Department for the Blind for FY 2001 did not disclose any findings or make any recommendations regarding the Department’s internal control system, compliance with statutory requirements, and other matters that the Office of Auditor of State believed to be necessary to report.

Copies of the notification are available upon request from the LFB.

STAFF CONTACT: Lisa Burk (Ext. 17942)

AUDIT REPORT - COMMISSION OF VETERANS AFFAIRS

**Audit Report** The State auditor conducted and completed an audit of the Commission of Veterans Affairs for FY 2001 and reported the following:



**Fixed Assets** **Fixed Assets** – Chapter 7A.30, Code of Iowa requires each department and division of State government to maintain an accurate, up-to-date inventory of all real personal property belonging to the State and under their control and management. Although a reconciliation of fixed assets recorded in Iowa’s financial accounting system (IFAS) was performed, immaterial variances were not explained. Also, four items that were traded for new equipment were not deleted from the listing. In addition, one tag is generated per purchase order even though several components make up the asset.

**Response** The Commission responded to the finding by stating that for FY 2002, Iowa Veterans Home policy regarding fixed assets was changed so that the Budget Office will now perform the data entries into the fixed asset program, which should make it easier to facilitate the tracking of fixed assets as well as the reconciliation of the assets to IFAS on a regular basis. The response was accepted by the Auditor.

**Data Included In Report** Also included in the report was the following data:



|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Average Number of Residents** |  | **\*Average Number of Employees** |  | **Annualized Cost Per Resident** |  | **Average Daily Cost Per Resident** |
| FY 2001 |  | 695 |  | 971 |  | $ 70,865 |  | $ 194.15 |
| FY 2000 |  | 707 |  | 932 |  | 64,976 |  | 178.02 |
| FY 1999 |  | 714 |  | 844 |  | 61,933 |  | 169.84 |
| FY 1998 |  | 711 |  | 833 |  | 58,803 |  | 161.10 |
| FY 1997 |  | 710 |  | 834 |  | 56,714 |  | 155.38 |

\* Prior to October 1, 1999, a private company staffed the Dietary Department. Effective October 1, 1999, the Iowa Veterans Home hired employees and staffed the Department itself. The average number of employees for FY 2001 and FY 2000 includes 98 and 75 dietary staff, respectively.

**FY 2001 Resident Population Statistics (unaudited)**

|  |  |  |
| --- | --- | --- |
| Population beginning of year |  | 711 |
| Admissions: |  |  |
| First admissions |  | 144 |
| Readmissions |  | 16 |
| Returns: |  |  |
| Home visits/furlough |  | 644 |
| Total admissions |  | 804 |
|  |  |  |
| Released: |  |  |
| Discharges |  | 36 |
| Deaths |  | 150 |
| Home Visits/furlough |  | 647 |
| Total Released |  | 833 |
|  |  |  |
| Population end of year |  | 682 |
| Daily Avg. resident population |  | 695 |

**Copies Available** Copies of the audit report are available upon request from the LFB.

STAFF CONTACT: Russ Trimble (Ext. 14613)

AUDIT REPORT - CIVIL RIGHTS COMMISSION

**Audit Report** The State auditor conducted and completed an audit of the Civil Rights Commission for FY 2001 and reported the following:

**Minutes Commission Minutes** – The monthly Commission minutes were not signed.



**Response** The Commission responded by stating it would add a signature line at the end of the minutes for the Executive Director to sign after the minutes have been approved by the Commission members. The response was accepted by the Auditor.

**Copies Available** Copies of the audit report are available upon request from the LFB.

STAFF CONTACT: Russ Trimble (Ext. 14613)

Audit Report - Department of Education



**Audit Report** The State Auditor has issued the FY 2001 audit report for the Department of Education. There were four findings in the State’s single audit report regarding federal funds. Most pertained to the need for written procedures for administering and monitoring federal funds that pass through the Department to local school districts. One of those findings, regarding the lack of written procedures for administering federal funds for Special Education within the Bureau of Family and Community Services, was also included in the findings related to internal control. The Department’s responses to these concerns indicate that procedures are being developed and refined.

**Internal Control** The other finding related to internal control involved shortcomings in the Department’s handling of contractual agreements. The audit identified the following problems:



* There was a lack of documentation to demonstrate that cost-benefit analyses had been performed to determine whether to contract or perform the task internally.
* Contracts did not always clearly define the specific purpose or benefits to be gained.
* Contracts were not always properly approved prior to the date of execution.
* A number of contracts indicating a sole source selection did not appear to qualify under the criteria provided in the Department of Revenue and Finance’s Accounting Policy and Procedures Manual.
* A number of contracts did not contain proper documentation of bidding procedures.
* The amendment process was frequently initiated after the contract’s original termination date.

**Response** In response to the audit’s recommendations for correcting these problems, the Department indicated that it would continue to work to improve contract procedures and better educate staff.

**Recruitment Program** The audit also found the Department to be out of compliance with Sections 256.23 and 256.41 of the Code of Iowa. Section 256.23 requires the establishment of a recruitment and advancement program for school administrators to provide for the allocation of grants to local school districts. Section 256.41 creates the Youth 2000 Coordinating Council within the Department. The Department’s response indicates that it is unable to comply with the statutes until funding is appropriated for those purposes.

**More Information** Further information is available from the Legislative Fiscal Bureau.

STAFF CONTACT: Robin Madison (Ext. 15270)

Audit Report- Department of Cultural Affairs



**Audit Report** The State Auditor has issued the FY 2001 audit report for the Department of Cultural Affairs. The only finding in the report related to internal control. The audit cites delayed deposits of cash and checks at the Iowa City State Historical Society Library and the Des Moines Historical Library. It also cites the Iowa City facility for failing to perform independent reconciliation of initial receipts listings to amounts recorded and deposited.

**Delayed Deposits** The audit recommends that deposits be made at least weekly and that an independent person perform the reconciliation. The Department’s response notes that procedures have been changed to make deposits at least weekly at the Des Moines facility. The Iowa City facility has been notified of the need to make deposits at least every two weeks. A shortage of staff prevents making weekly deposits. The Department’s response also notes the shortage of staff at the Iowa City facility will prevent the independent reconciliation of receipts to deposits. The State Auditor accepted the Department’s response.

**More Information** Further information is available from the Legislative Fiscal Bureau.

STAFF CONTACT: Robin Madison (Ext. 15270)

Audit Report - Department of Agriculture and Land Stewardship

**Audit Report** The State Auditor issued the FY 2001 Audit Report for the Department of Agriculture and Land Stewardship on March 16, 2002. The Legislative Fiscal Bureau received the report on June 15, 2002.

The Report included one internal control finding:



**Fees & ReceiptsFees and Miscellaneous Receipts** – The Administrative Division collects and deposits the miscellaneous fees and receipts from the various Bureaus in the Department. One person receives the receipts, prepares the deposit, and records the deposit. No independent reconciliation is completed for this function.

Recommendation - The Department should implement procedures for an independent review and reconciliation of cash receipts and maintain documentation for any adjustments made to the receipts.



Response - The Department’s practice is that all validated fee documents and cash receipt forms are returned to the Bureaus upon completion of the fee transaction. The Department will add additional accounting staff to initial any corrections to the fee process.

The response was accepted.

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**Other FindingsOther Findings-** The Report commented on several compliance issues with regard to the Code of Iowa that have not been accomplished by the Department. They include:

1. Filing an annual report from the State Apiarist to the Governor.
2. Timely payments to breeders of winning Iowa horses and dogs from the Iowa Horse and Dog Breeders Fund.
3. The establishment of a Division of Agricultural Statistics.
4. Inspection and regulation of bottled water.
5. The adoption of rules to provide an appeal process for violations concerning agriculture drainage wells.
6. Issuance of a biennial report to the Governor complete with required information and statistics regarding soil and water conservation districts.
7. Inspections of all licensed grain dealers and warehouses to be completed every 18 months.
8. The completion of a report on the Linked Investment of Tomorrow Act to the Department of Management. This was to be completed in conjunction with the Department of Economic Development and submitted by February 1, 2000.
9. Establishment of a sheep promotion division.

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

STAFF CONTACT: Deb Kozel (Ext. 16767)

Audit Report - County Clerks of District Courts



**Audit Report** The Legislative Fiscal Bureau (LFB) received the State Audit report for the County Clerks of Court on June 24. The Audit Report had numerous findings in the areas of internal control and statutory requirements. The following are a few of the findings listed in the Audit Report:

**Segregation of Duties** **Segregation of Duties** – The findings stated that all incoming mail should be opened by an employee who is not authorized to make entries to the accounting records; receipt collection, deposit preparations, and reconciliation functions should be segregated from those of recording and accounting disbursements; bank accounts should be reconciled by an individual who does not sign checks, handle, or record cash; checks should be signed by an individual who does not record cash receipts or participate in the preparation of checks; receipts should be posted to ICIS by an individual not responsible for setting up the case in the system; and the person preparing deposits should reconcile the cash receipt register totals for cash and checks with actual amounts to ensure that there are no incorrect entries on the cash receipts register and deposit slip.

Recommendation – With a limited number of office employees, segregation of duties is difficult. The Auditor recommended that each County Clerk of District Court should review the operating procedures of their office to obtain the maximum internal control.

Response and Conclusion – The Clerks’ offices will continue to work with the Auditor’s office to establish adequate internal control procedures. The response was accepted.

**Settlement of Accounts Settlement of Accounts** – The Auditor found that there were certain fines, fees, and surcharges that were not remitted to the State of Iowa and to counties and cities monthly as required by Chapters 602.8108 and 602.8109 of the Code of Iowa.



Recommendation – The Auditor recommended that all remittances be made to the State of Iowa, cities, and counties on a monthly basis as required by the Code.

Response and Conclusion – Due to recent layoffs, the Clerks’ offices have had trouble meeting their monthly reports; however, the Judicial Branch is working with these offices to get the work done in a timely manner. The response was accepted.



**Juvenile Court Services** **Juvenile Court Services** – The Juvenile Court Services (JCS) Offices located throughout the State collect court-ordered and non-court-ordered fees from juveniles. In certain instances, non-court-ordered collections are not being recorded in ICIS, the Court Information System.

Recommendation – All collections received by Juvenile Court officers need to be recorded in ICIS.

Response and Recommendation – The Judicial Branch will review the process to ensure that collections are recorded and adequate internal controls are in place.

**Investments Investments** – The Auditor reported that certain court-ordered investments at certain County Clerk of District Court offices were not included on the outstanding bond/trust list.

Recommendation – All court-ordered investments should be posted to the ICIS as a miscellaneous trust in accordance with Judicial Branch Accounting Procedures Manual, Procedure #130.400. Court-ordered investments include, but are not limited to, certificates of deposit, savings accounts, checking accounts, and savings bonds.

Response and Conclusion – The Judicial Branch is going to work with the Clerks’ offices to properly record investments and the response was accepted.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

This document can be found on the LFB web site: <http://staffweb.legis.state.ia.us/lfb/fupdate/fupdate.htm>