

FISCAL UPDATE

August 4, 2003

Legislative Services Agency

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<http://staffweb.legis.state.ia.us/lfb>

Fiscal Committee



LEGISLATIVE FISCAL COMMITTEE

The Legislative Fiscal Committee met July 29 and conducted the following business:

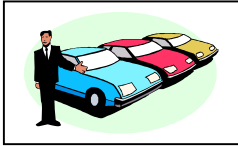
- General Fund revenue update.
- Reviewed balance sheets information for the following funds:
 - General Fund
 - Endowment for Iowa's Health Account
 - Healthy Iowans Tobacco Trust Fund
 - Restricted Capital Fund
 - Rebuild Iowa Infrastructure Funds
 - Environment First Fund
- Attorney General's Office – Julie Pottorf presented an update of the United State Supreme Court and the Iowa Supreme Court ruling concerning pari-mutual taxes.
- Attorney General's Office – Julie Pottorf provided an update on the Fair Labor Standards Act (FLSA) lawsuits concerning back pay for certain State employees.
- Governor's Office – Brian Gentry presented the Governor's item vetoes of the following bill:
 - HF 692 (Taxation Changes, Grow Iowa Values, and regulatory Reform Act)
 - HF 683 (Grow Iowa Values Fund Act)
 - HF 614 (Iowa's Help America Vote Act).
- Appropriation Transfers – Notices received since last meeting:
 - \$15.2 million from the Medical Assistance Program to the Salary Adjustment Fund and Judicial Branch Operations. This transfer will occur in FY 2004.
 - \$727,000 from various Department of Human Services appropriations to State Supplementary Assistance, Independence MHI, and Personal Assistance.
 - \$11,000 from the Dept. of Revenue and Finance Operations to Cigarette Stamp Printing.

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- \$300,000 from the Information Technology Department to Department of General Services Utility Account.
- Reviewed lease purchases proposals submitted by State agencies.
 - Department of Corrections – \$200,000 for Vehicle Purchase at the Sixth Judicial District.
 - Department of Corrections – \$112,200 for Vehicle Purchase at the First Judicial District.
 - Department of Human Services – \$301,000 for Purchase of a Patient Detection System at the Cherokee Mental Health Institute.
 - Board of Regents – \$773,000 for University of Iowa Property Purchase.
 - Board of Regents – \$353,000 for Improvements to Jack Trice Stadium at Iowa State University.
- Received an update regarding Medicaid expenditures and the Healthy and Well Kids in Iowa (*hawk-i*) Program.
- Received an update regarding foster care and adoption subsidy expenditures.
- Received an update on initiatives associated with SF 453 (Reinvention of Government Act) and the Public Strategies Group (PSG) contract payments.
- Received information on the Central Lutheran Church property located to the north of the Capitol Complex.

Next Meeting

The next meeting of the Committee is September 23. Additional information is available upon request. All handouts for the meeting are available at: <http://staffweb.legis.state.ia.us/lfb/committee/fiscalcomm/fiscalco.htm>.

STAFF CONTACT: David Reynolds (Ext. 16934) Sue Lerdal (Ext. 17794)

BOARD OF REGENTS MEETING

Regents Meeting



The Board of Regents met at the University of Northern Iowa in Cedar Falls on July 16 and 17. Significant agenda items included:

- Final Approval of Detailed Budgets for FY 2004. The total for operating budgets for all five institutions is \$3.0 billion (all funds) for FY 2004. Of this total, approximately \$605.0 million is revenue from State General Fund appropriations.
- Salaries for Institutional Heads: The Board approved a 2.5% increase for President and Superintendent salaries, as follows:
 - \$288,000 for Presidents Geoffrey (Iowa State University) and Skorton (University of Iowa).
 - \$227,000 for President Koob (University of Northern Iowa).
 - \$101,000 for Superintendent Thurman (Iowa Braille and Sight Saving School).
- Operating Appropriations Requests for FY 2005: The institutions are requesting increases totaling \$39.6 million. Board Office recommendations regarding these requests will be considered at the September meeting. The requested increases include:



- \$17.4 million for the University of Iowa.
 - \$13.5 million for Iowa State University.
 - \$6.5 million for the University of Northern Iowa.
 - \$1.3 million for the Iowa School for the Deaf.
 - \$700,000 for the Iowa Braille and Sight Saving School.
 - \$150,000 for the Board Office.
- Capital Improvement Budget Requests for FY 2005: The institutions are requesting a total of \$122.6 million for capital improvements for FY 2005. Board Office recommendations regarding these requests will be considered at the September meeting.
 - Preliminary Five-Year Capital Improvement Plans, FY 2005-2009: The Board received a report of the requests totaling \$604.8 million in State funds to be combined with \$97.0 million in gifts and earnings for inclusion in the Board's Five-Year State-Funded Capital Program (FY 2005-2009). Board Office recommendations regarding these requests will be considered at the September meeting.

Next Meeting

The next meeting of the Board is scheduled for September 16 and 17 at Iowa State University in Ames.

More Information

Additional information regarding the Board meeting, including the full text of agenda docket memos is available at the Board's web site at:
<http://www2.state.ia.us/regents/>.

STAFF CONTACT: Mary Shipman (Ext. 14617)

UPDATE ON SENATE FILE 453 – REINVENTION OF GOVERNMENT ACT

Charter Agencies

The Governor has issued an Executive Order to designate the following agencies as "Charter Agencies" per SF 453 (FY 2004 Reinvention of Government Act):

- Department of Revenue
- Department of Human Services
- Veterans Home
- Alcoholic Beverages Division of the Department of Commerce
- Department of Corrections
- Department of Natural Resources
- Department of Public Safety

Estimated Savings

Senate File 453 requires a savings of \$7.0 million from these designated agencies for FY 2004. This includes the increase of \$8.0 million expected from the Lottery Authority transfer, for a total savings or revenue increases of \$15.0 million. The Department of Management has not announced the

designated amount for each agency nor the requested flexibility from various administrative rules.

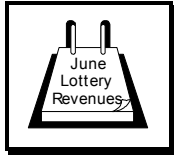
More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Douglas Wulf (Ext. 13250)

LOTTERY REVENUE AND EXPENDITURES THROUGH JUNE

June Rev./Exp.



The FY 2003 Lottery game revenues through the month of June increased \$3.4 million compared to the FY 2002 level. Lottery prize expenses increased \$4.2 million, operating expenses decreased \$10,000, and transfers to State funds decreased \$399,000. The following table details revenues, expenditures, and balances of the State Lottery. Rows and columns may not add, due to rounding.

STATE LOTTERY

July Through June
(Dollars in millions)

	<u>FY 2002</u>	<u>FY 2003</u>	<u>Increase/ Decrease</u>	<u>% Increase</u>
Fiscal Year Beginning Balance	\$ 2.2	\$ 2.3	\$ 0.2	
Game Revenues	\$ 176.7	\$ 180.1	\$ 3.4	1.9%
Interest	0.9	0.6	-0.3	-31.9%
Total Revenue	\$ 177.6	\$ 180.7	\$ 3.1	1.7%
Prize Expense	\$ 100.0	\$ 104.2	\$ 4.2	4.2%
Operating Expense	37.9	37.9	0.0	0.0%
Transfer of Profits	39.5	39.1	-0.4	-1.0%
Total Expense	\$ 177.4	\$ 181.2	\$ 3.8	2.1%
June Ending Balance	\$ 2.3	\$ 1.8	\$ -0.5	

Comparison to FY 2002

Fiscal year sales through June, compared to the same time period in FY 2002, were as follows:

- Instant ticket sales increased \$4.1 million (5.4%).
- Pick 3 sales increased \$1.0 million (21.4%).
- Multi-State Powerball sales decreased \$3.2 million (5.5%).
- Rolldown sales decreased \$1.1 million (100.0%).
- Freeplay Replay sales decreased \$25,000 (7.3%).
- Daily Game sales increased \$90,000 (2.2%).

- Pull-tab sales increased \$699,000 (2.7%).

Ticket Sales



Hot Lotto

Total Lottery sales through June were \$180.1 million, an increase of \$3.4 million (1.9%) compared to June 2002. July through June 2003 sales for the Instant Tickets, Pick 3, Daily Game, and Pull-tabs were above sales for the same period during FY 2002.

Hot Lotto, which was not offered until April 7, 2002, had sales through June of \$5.7 million. Hot Lotto replaced Rolldown, which ended April 6, 2002, and had sales through June 2002 of \$1.1 million.

Vending Machine Sales

Ticket sales through Monitor Vending Machines began in May 2003, on a trial basis. Monitor Vending Machines had sales through June of \$187,000.

Estimated Transfers



The Revenue Estimating Conference (REC) projected FY 2003 Lottery profit transfers to the General Fund would total \$38.0 million at the April 9 meeting. Actual profit transfers for FY 2002 was \$40.0 million. Therefore, the REC is currently estimating General Fund Lottery transfers will be \$2.0 million (5.0%) lower in FY 2003 than in FY 2002. The FY 2003 transfers to the General Fund through June were \$408,000 (0.3%) below FY 2002.

House File 2627 (FY 2003 Second Omnibus Appropriations Act) required the lottery to deduct \$500,000 from calculated retained earnings before making lottery proceeds transfers to the General Fund during FY 2003. The impact was a one-time increased transfer of \$500,000.

Unclaimed Powerball

The proceeds transfers for FY 2003 include \$1.2 million from the sales amount for Iowa's share of an unclaimed Powerball ticket sold in Indiana.

Demutualization

The proceeds transfers for FY 2002 included the receipt of \$1.2 million due to the demutualization of Principal Mutual Insurance Company, and \$2.8 million in net settlement proceeds from Scientific Games, Inc., the vendor for the replacement of store terminals.

Sales Tax

In addition to the amount transferred to the State as profits, the Lottery transferred \$9.0 million in sales tax during FY 2003.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Ron Robinson (Ext. 16256)

Oversight Meeting

GOVERNMENT OVERSIGHT COMMITTEE MEETING

The Government Oversight Committee met on July 14 and 15. The agenda included the following:

- Implementation of the Iowa Values Fund.
- Managed competition provisions in the new Department of Administrative Services.
- Implementation of legislation relating to assisted living and adult day care.
- Fire safety codes and inspection procedures.
- Promotional efforts relating to the College Savings Loan Program.
- Contract addendums associated with the Public Strategies Group.



Insurance Premiums

Update by the Insurance Division, Department of Commerce, relative to insurance premium increases, and a pay telephone lease investment scheme by an out-of-state company that has hurt Iowa investors.

Licensing Transfer

Status report concerning the potential transfer of the Professional Licensing and Regulation Division in the Department of Commerce, to the Secretary of State's Office.

Next Meeting

The next meeting is scheduled for September 16 in the Legislative Dining Room.

More Information

Additional information is available from the LSA upon request. An overview of the meeting will be available in the next issue of the Iowa Legislative Interim Calendar and Briefing on the web site at:
<http://www.legis.state.ia.us/GA/80GA/Interim/2003/>.

STAFF CONTACT: Douglas Wulf (Ext. 13250) Sam Leto (Ext. 16764)
Richard Nelson (Ext. 25822)

**MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES
COMMISSION MEETINGS HELD IN JUNE AND JULY**

Commission Meetings

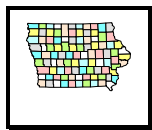


The Mental Health and Developmental Disabilities Commission met on June 19 and July 17.

The following business was conducted at the June meeting:

- A presentation from Mr. Concannon, Director of the Department of Human Services (DHS). Information included:
 - Disadvantages to the proposed federal changes for Medical Assistance (Medicaid).
 - Comments upon the pending reduction in State funding for child and family services:
 - There are no plans to reduce the number of contracts, the amounts paid by contract, or the number of FTE positions within the Department who directly serve children.
 - The Department has contracted with the consulting firm MAXIMUS. The firm has a positive reputation for matching additional federal funding.
 - Contractor choice is beneficial which may preclude proposed reductions in the number of contracts as recommended by the Public Strategies Group (PSG), consultants retained by the Governor.
 - Although statutorily required to implement changes by January 1, 2004, the deadline may need to be extended.
- Agreement with enacted legislative changes relating to Medicaid prescription drug expenditures.
- Belief that a continuing dialogue between the proposed redesign of the Mental Health and Developmental Disabilities delivery system and Medicaid needs to take place.





- Discussion that included audience participation regarding the appropriateness of required co-payments for certain Medicaid medical services.
- Received a notice from DHS staff that the five workgroups regarding the redesign are to file reports by August 21 to the Commission.
- Approved various accreditation requests and amendments to several county plans delineating the services provided to those eligible.
- Reviewed information obtained regarding a cash and counseling program, including a review of the service delivery method used in Michigan and in North Carolina.
- Received reports from the five redesign work groups, including:
 - Roles and Responsibilities: Provided a draft regarding a care coordination entity for assistance to the recipient, a management entity to carry out the State direction, and a State level entity for policies and standards for the services to recipients.
 - Support Design: Provided a draft regarding process and system foundation and identification of ideal and minimal eligibility definitions.
 - Access: Provided a draft of proposed financial eligibility and clinical eligibility definitions. The document included a summary of services and support options to be included Statewide.
 - Fiscal: Provided a draft regarding rebasing county expenditure amounts used for the mental health funding,
 - Legal Settlement: Provided a draft with a residency definition for services eligibility.

July Meeting



The following business was conducted at the July meeting:

- Approved an accreditation for case management services.
- Received a report from DHS Director Concannon, including:
 - An update regarding the child welfare redesign, indicating that:
 - With additional federal funding and available State Medicaid funding, there is not an expectation that child welfare services or contracts will be reduced to meet the \$10.0 million decrease in State funding. He noted that some of the savings will be available only one-time.
 - The need for a direct connection between the child welfare redesign and the mental health services redesign underway.
 - The need to be connected with the educational community during the child welfare redesign.
 - An update regarding the agreement to become a Charter Agency as part of the Reinvention of Government underway, indicating that:
 - The intention would be to use \$1.0 million of State Medicaid funding as the State General Fund savings.

- Exploration of changes in food stamp administration, travel costs, information technology, distributing monthly Medicaid eligibility cards, and personnel administration requirements.
- Received a draft of a power point presentation planned to summarize the completed recommendations by the Commission from the work groups.
- Received a report from each of the redesign work groups including:
 - Support Design and Roles and Responsibilities Work Groups (presentation was combined from the two separate work groups), including:
 - Discussion of which core services should be included in the recommendations.
 - Reaction from the possible recommendation regarding redistribution of local property tax funding on a Statewide basis.
 - Fiscal Work Group, including:
 - A proposal for the pooling of State funds for allocation to local management units (envisioned as a county or group of counties) for services to those eligible.
 - A proposal to allocate the funds to the local management units by case rates based upon intensity of need and disability.
 - Integration between those eligible for Medicaid and those being served who may not be eligible for Medicaid.
 - Distribution of the existing Property Tax Replacement appropriation of \$95.0 million.
 - Access Work Group, including:
 - Proposed eligibility standards, relating to 150.0% of the federal poverty level or greater, with possible co-payments for those above the designated poverty level.
 - Proposed standardized service eligibility.
 - Proposed core services to be included in the redesign.
 - The need for a transition effort when implementing the redesign.
 - Legal Settlement Work Group distributed the proposed definition of residency with the recommendation that the funding for the individual is provided to the proposed management entity providing services to the individual.
- Discussed core services and the concepts of a “State Entity” and “Local Management Entities”.



Next Meeting

The next meeting of the Commission is scheduled for August 21 and 22. The five work groups are to present their recommendations to the Commission for discussion and possible decisions at that meeting. It is the plan that at the Commission’s September 18 meeting, preliminary recommendations will be made for discussion on a Statewide basis. The funding impacts may not be included with the preliminary recommendations.

More Information

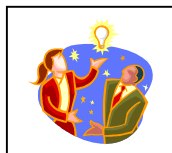
Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

JULY COUNCIL ON HUMAN SERVICES MEETING**Human Services Council**

The Council on Human Services met on July 9 and conducted the following business:

- Listened to public comments regarding funding and issues for the FY 2005 budget requests to be made by the Council in September. Handouts from the public will be available on the Legislative Services Agency (LSA), Fiscal Services, web site under the 2003 Interim Link at: http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/human_serv.htm.
- Approved the following administrative rules:
 - Food stamps eligibility for non citizens 18 years of age or younger. The annual fiscal impact is estimated at \$5,000 of federal funds.
 - Restricting rent subsidies to individuals at risk of nursing facility care. The annual fiscal impact is a savings of \$50,000 in General Fund money.
 - Increasing the number of days that a child may be in voluntary foster care placement. A fiscal impact is not expected.
 - Changing the reporting process for suspected dependent adult abuse. The fiscal impact is \$330,000, already included in the FY 2004 budget from Senior Living Trust Fund moneys to the Department of Elder Affairs.
- Placed the following administrative rule on the Director's Notice of Intended Action not included within the previously delineated administrative rules:
 - Providing for a six-month reporting renewal for Food Stamp verification of eligibility. The annual fiscal impact is \$87,000 of federal funds.
- Heard from Director Concannon concerning:
 - Agreement by the Director to become a Charter Agency (part of the Reinvention of Government) with \$1.0 million reduction in General Funds for FY 2004.
 - Decision to bid the Medical Assistance fiscal agent contract currently held by ACS Consultec, in lieu of an extension as granted by the General Assembly. The DHS has retained a consultant to develop the specifications of the future contract.
 - An update for the Preferred Drug List (PDL) contained within HF 619 (FY 2004 Medicaid Cost Containment Act).
 - The status of the public hearings regarding child welfare. The Director indicated that with additional federal funds, there might not need to be a reduction in services or contracts for child welfare.
 - The Electronic Benefit Transfer (EBT) process for food stamps.
 - Planned discussion with the federal Department of Justice regarding pending reports and issues in July.
 - Status of the transfer of clients from Oakdale to Cherokee for the Sexual Predator Commitment Program.



- Communications with Senator Grassley regarding the collection of available drug rebates.
- Discussed concerns of the Council members including:
 - The need by Department staff regarding serving those from various cultures.
 - The Mental Health and Developmental Disabilities Commission status for the redesign of the mental health system.
- Re-elected current Chairperson Louscher and Vice Chairperson Mosher to serve as the officers of the Council.

Next Meeting

The next meeting of the Council is scheduled for August 13.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sue Lerdal (Ext. 17794) Lisa Burk (Ext. 17942)
Jennifer Vermeer (Ext. 14611)

ENVIRONMENTAL PROTECTION COMMISSION HOLDS MEETING

Commission Meeting



The Environmental Protection Commission met on July 21 in Des Moines. The following issues were discussed.

The Commission was asked to approve a \$100,000 contract with Barker Lemar Engineering Consultants to provide technical assistance to the Iowa Underground Storage Tank Fields Project for the City of Des Moines. The contract was approved.

Insecticide Contamination

The Commission was asked to approve a \$46,000 contract with the University of Northern Iowa for monitoring streams for potential insecticide contamination. The contract was approved.

Lake Monitoring

The Commission was asked to approve a \$325,000 contract with Iowa State University for water quality monitoring of 132 public lakes throughout Iowa. The data will be used to identify and understand water quality trends. The contract was approved.

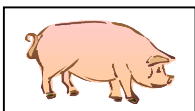
Waste Tires

The Commission was asked to approve a Notice of Intended Action regarding rules related to the Waste Tire Management Program. The change outlines the enforcement duties of the Department and the related penalties for non-compliance. The Notice was approved.

Air Permits

The Commission was asked to approve a Final Rule on Air Construction Permits. The Final Rule exempts construction permits for carving, routing, drilling, surface grinding and similar activities that are used for non-production activities. The exemption also includes manually-operated equipment used for buffing, drilling, sawing or similar activities. The Final Rule was approved.

Animal Feeding Operations



The Commission was asked to approve a Notice of Intended Action on Animal Feeding Operations. The Commission approved the rules pertaining to concrete construction design standards for an animal feeding operation.

Next Meeting The next meeting will be held on August 18 in Des Moines.

More Information Additional information is available from the LSA upon request. For review of Commission agendas, minutes, and other related information, please review the DNR web site at: <http://www.iowadnr.com/>.

STAFF CONTACT: Debra Kozel (Ext. 16767)

DISTRICT JUDGESHIP FORMULA

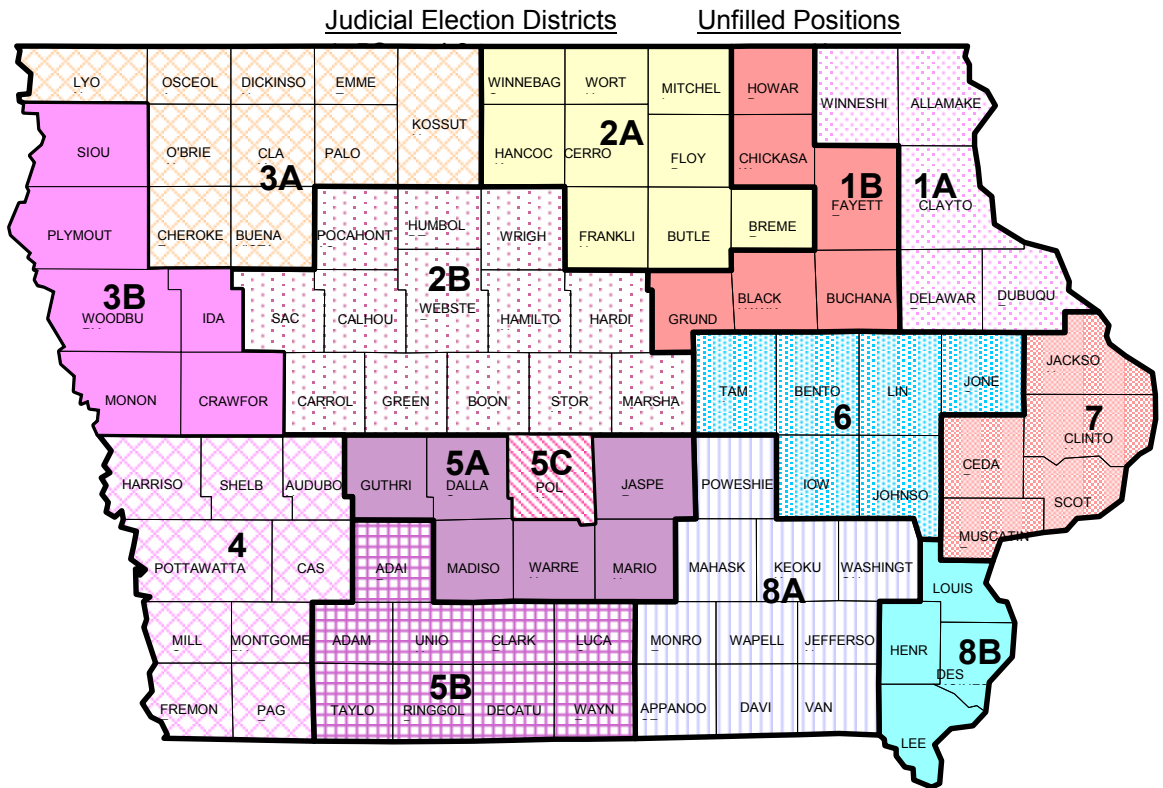
District Judgeship



Number of Judges

On July 16, the Supreme Court sent out an amended version of the judgeship formula. Due to a change in the number of 2002 filing figures, the 2003 judgeship formula has been recalculated as provided in Section 602.6201, Code of Iowa. According to the amended formula, the total number of district judgeships statewide decreased from 141 to 138.

This change means there will be one less authorized judgeship position for judicial election districts 3B, 5C, and 8A. Under the current amended formula, the following districts have unfilled, authorized judgeships:



The following is a map of the Judicial Election Districts.

More Information Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

AUDIT REPORT – COMMISSION OF VETERANS AFFAIRS

Veterans Affairs Audit



The State Auditor has released the FY 2002 Audit Report for the Commission of Veterans Affairs and provides one recommendation related to expenditure from the Veterans License Plate Fund. The recommendation indicates that a formal, written policy should be adopted by the Commission of Veterans Affairs regarding the expenditures allowed from the Veterans License Plate Fund. The Commission adopted a policy in January 2003.

More Information

Additional information is available from the LSA upon request. A copy of the audit is available on the web site at the 2003 Interim link at: http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/human_serv.htm.

STAFF CONTACT: Sue Lerdal (Ext. 17794)

AUDIT REPORT – DEPARTMENT OF AGRICULTURE AND LAND STEWARDSHIP

Agriculture Audit

The State Auditor issued the FY 2002 Audit Report for the Department of Agriculture and Land Stewardship on June 30, 2002. The Legislative Services Agency (LSA), Fiscal Services, received the Report on July 9.

Reportable Conditions

The Report commented on the following issues regarding internal control:

Fees and Receipts



Fees and Receipts – The Department collects fees and other receipts and records them on the cash receipt form. One person receives, records, and deposits the fees. There is no independent reconciliation to ensure the amount received is the amount deposited.

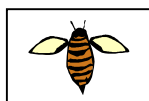
- Recommendation – The Department should establish procedures of the deposited fees to ensure all fees received are deposited.
- Response – The Department has a second person preparing the deposit.
- Conclusion – Response accepted.

Restrictive Endorsements

Restrictive Check Endorsements – There were 64 checks tested for restrictive endorsement and six did not have one.

- Recommendation – The Department should implement a procedure to ensure all checks have a restrictive endorsement.
- Response – All checks are reviewed prior to deposit, and checks without a restrictive endorsement are returned to the appropriate bureau. If that is not possible, the Accounting Bureau provides a restrictive endorsement.
- Conclusion – Response accepted.

Other Findings



Other findings related to statutory requirements included:

- State Apiarist – Section 160.1, Code of Iowa, requires the Secretary of Agriculture to appoint a State Apiarist. This position was eliminated in December 2001.
- Sheep Promotion Division – Section 159.5 (12), Code of Iowa, requires the Department to establish a Sheep Promotion Division. The Division has not been established.

- Inspection and Regulation Program – Section 159.5 (12), Code of Iowa, requires a bottled water inspection program. This program has not been implemented.
- Agricultural Statistics – Section 159.11, Code of Iowa, requires the Department to establish subscription fees for access to agricultural statistics when accessed by parties other than vocational schools, agricultural extension groups, or libraries. The fees have not been established.
- Licensed Grain Dealers – Section 203.9, Code of Iowa, requires the Department to inspect every licensed grain dealer and warehouse every 18 months. Five of the 248 licensed grain dealers and five of the 277 licensed warehouses were not inspected.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Debra Kozel (Ext. 16767)

AUDIT REPORT – DEPARTMENT OF ELDER AFFAIRS**Elder Affairs Audit**

The State Auditor issued the FY 2002 Audit Report for the Department of Elder Affairs on July 1. The Legislative Services Agency (LSA), Fiscal Services, received the Report on July 10, which indicated that the audit did not disclose any reportable findings.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Lisa Burk (Ext. 17942)

AUDIT REPORT – IOWA LAW ENFORCEMENT ACADEMY**Academy Audit**

The State Auditor issued the FY 2002 Audit Report for the Iowa Law Enforcement Academy (ILEA) on June 30. The Legislative Services Agency (LSA), Fiscal Services, received the Report on July 16, which indicated the only finding was related to internal control. It was recommended that the Academy review the segregation of duties to ensure effective internal control. The Academy has a limited number of employees making segregation of duties difficult. The Academy acknowledged that efforts would be made and the response was accepted.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

AUDIT REPORT – DEPARTMENT OF HUMAN RIGHTS**Human Rights Audit**

The State Auditor issued the FY 2002 Audit Report of recommendations to the Department of Human Rights on July 1. The Legislative Services Agency (LSA), Fiscal Services, received the Report on July 10, which indicated the following findings:

- Cash Management – On four of the 22 draws tested, federal funds for the Low-Income Home Energy Assistance Program (LIHEAP) were drawn and not disbursed within the two-day timeframe required by the Cash Management Improvement Act (CMIA) Agreement. The Auditor recommended the development and implementation of procedures to ensure appropriate drawing of federal funds to meet CMIA requirements. The Department agreed to comply.



- Sub-recipient Cash Management – On six occasions out of 57, monthly cash reports from sub-recipients receiving LIHEAP funding from the Department reflected month-end cash balances not expended within the next month. The Auditor recommended that the Department closely monitor cash management procedures to ensure compliance with federal guidelines. The Department agreed to comply.
- Sub-recipient Monitoring – The Department did not provide sub-recipients of LIHEAP and Community Services Block Grant awards with specific information required to identify federal funding sources. The Auditor recommended the development and implementation of procedures to ensure that all sub-recipients are properly notified. The Department agreed to comply.
- Statutory Requirements and Other Matters:
 - Councils and Commission Meetings – The Department has eight councils and commissions established under Chapter 216A, Code of Iowa. Chapter 69.15, Code of Iowa, governs attendance and membership requirements. Some members of councils and commissions did not meet the attendance requirements during FY 2002. The Auditor recommended that the Department encourage members to attend the regularly scheduled meetings. The Department agrees with the recommendation and will notify the Governor’s Office of these situations.
 - Report on Encumbered Funds – The Department did not submit the required report for FY 2001 encumbered funds to the Joint Appropriations Subcommittee, the Legislative Fiscal Bureau, and the Department of Management, prior to June 30, 2002, pursuant to Chapter 8.62(3), Code of Iowa. The Auditor recommended that the Department implement procedures to ensure compliance in the future. The Department agreed to comply but stated that the prior year carryover funding for Training and Technology for which the reports were required stopped being received beginning in FY 2003.

Auditor’s Response

The Auditor accepted all of the Department’s responses.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Sam Leto (Ext. 16764)

AUDIT REPORT – DEPARTMENT OF HUMAN SERVICES

Human Services Audit



The State Auditor has released the FY 2002 Audit Report for the Department of Human Services. The following recommendations have been made and changes have taken place within the Department to the satisfaction of the State Auditor:

Federal Requirements

Review of sub-recipient audit reports in accordance with federal requirements for counties receiving various federal funds. Duties have been reassigned within the Department to accommodate the recommendation of complying with review procedures.

- Additional internal controls within the Field Offices of the Department for various cash receipts and assistance programs. Changes have taken place within the Field Offices to accommodate the recommendation of internal controls.
- Documentation of childcare rate/unit eligibility compared to the rate/units previously approved by the Department. Changes have taken place to provide

review of requirements with staff and to include a childcare assistance provider agreement within the provider's file.

- Timeframes for development or review of a case plan for those receiving foster care services. Increased attention to the case plan timeframes is to occur, in addition to greater coordination with the Judicial Branch.
- Timeframes for revaluation of adoption subsidy agreements. Increased attention to the revaluation timeframes is to occur.
- Elimination of negative cash balances for operation of the Temporary Assistance to Needy Families (TANF) programs. Changes to the federal draw plan are to eliminate the negative cash balances.
- Compliance to various purchases of social services contracts. Increased attention to the details of the contract is to occur.
- Compliance with repayment of overpayment guidelines within the Rehabilitative Treatment and Support Services (RTSS) contracts. A revised information data system is expected to resolve the issue.
- Prohibition of programmer staff having access to a computer program after management approval. Implementation of a protection code is expected to remedy the issue resulting in the recommendation.
- Pursuit of a \$1.3 million overpayment to the Sanford Center in Sioux City, providing various juvenile services. The funds were paid for undocumented billings between 1993 and 1997. The Department has agreed to continue to recover the overpayment of funds.
- Need for accurate inventory of real and personal property belonging to the State. Additional record maintenance has been implemented within the Department due to this recommendation.
- Need for actual membership of the Personal Assistance and Family Support Services Council to match the Statutory requirements. Additional appointees will be sought by the Department. Members of the Council have sought Statutory changes to the membership to combine the duties of the Children and Home and Family Support Subsidy Council.
- Lack of compliance with statutory monitoring of childcare homes and review of in-home health care services. The Department indicates that additional training and staff reassignment will take place to comply with the Statute and recommendation.



More Information

Additional information is available from the LSA upon request. A copy of the Audit is available on the LSA web site at the 2003 Interim link at http://staffweb.legis.state.ia.us/lfb/subcom/human_serv/human_serv.htm.

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AUDIT REPORT – IOWA WATER POLLUTION CONTROL WORKS AND DRINKING WATER FACILITIES FINANCING PROGRAMS

Audit Report

The State Auditor issued the FY 2002 Audit Report for the Iowa Water Pollution Control Works and the Iowa Drinking Water Facilities Financing

Programs on June 30. The Legislative Services Agency (LSA), Fiscal Services, received the Report on July 9.

Reportable Conditions



The Report indicated there was one reportable condition related to the financial statements. The Department of Natural Resources (DNR) provided funding to cities and municipalities under the federal Clean Water and Drinking Water Programs for costs that had not been incurred. During December 2001, the Department allowed loan advances based on cost estimates rather than actual expenditures because the loan system was temporarily closed due to a bond defeasement.

- Recommendation – The DNR should comply with federal guidelines and only withdraw cash from federal funds when costs have been incurred.
- Response – The DNR did close the loan system for 60 days due to a bond defeasement. The DNR will notify the federal Environmental Protection Agency (EPA) if this occurs in the future.
- Conclusion – Response accepted.

More Information

Additional information is available from the LSA upon request.

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AUDIT REPORT – JUDICIAL BRANCH

Judicial Branch Audit



The State Auditor issued a FY 2002 Audit Report for the Judicial Branch on June 20. The Legislative Services Agency (LSA), Fiscal Services, received the Report on July 10, which indicated the only finding was related to internal control. It was recommended the Judicial Branch review their capital asset procedures to ensure accurate records are maintained. The records were reconciled and the procedure will continue to be reviewed for accuracy. The response was accepted.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

AUDIT REPORT – DEPARTMENT OF PUBLIC SAFETY

Public Safety Audit



The State Auditor issued the FY 2002 Audit Report for the Department of Public Safety on June 30. The Legislative Services Agency (LSA), Fiscal Services, received the Report on July 22, which indicated the only findings the audit disclosed were related to internal control. It was recommended that Public Safety review their capital asset inventory to ensure timely reconciliations between capital expenditures and additions reported on equipment records. The Department has split the responsibilities of additions and deletions to one staff person, and the responsibilities of reconciliation and physical inventory to another staff person. The response was accepted.

Personal Service Contracts

The Auditor also noted there were issues with the completion and documentation of eight personal service contracts. These contracts should be completed prior to the services being performed. The Auditor recommended the Department complete the required forms from the Department of Revenue. The Department acknowledged the need to fill out these contracts, but stated that incidents arise that do not allow the

Department to complete the forms before services can be rendered. The example given was the need for an interpreter during the arrest of a non-English speaking person. The Department noted they would make every effort to complete the forms and the response was accepted.

More Information

Additional information is available from the LSA upon request.

STAFF CONTACT: Jennifer Dean (Ext. 17846)

AUDIT REPORT – OFFICE OF TREASURER OF STATE**Treasurer Audit**

The State Auditor issued a FY 2002 Audit Report for the Office of Treasurer of State on July 1. The Legislative Services Agency (LSA), Fiscal Services, received the Report on July 10, which indicated the audit did not disclose any reportable findings.

More Information

Additional information is available from the LSA upon request.

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