



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE July 26, 2010

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Education for the year ended June 30, 2009.

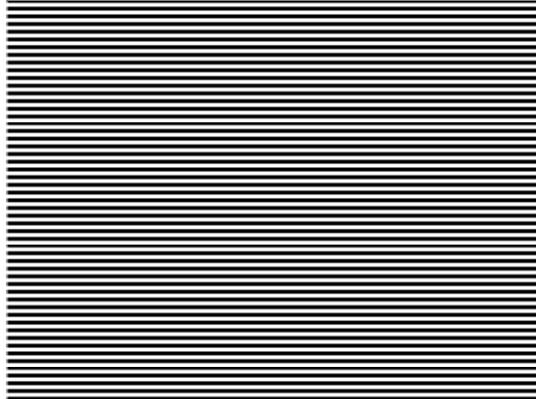
The Department is empowered to exercise general supervision over the State system of education, including all Iowa local community school districts, merged area schools, area education agencies and other local agencies and non-public schools, to the extent necessary to ascertain compliance with Iowa school laws. In fulfilling the responsibilities assigned to it by law, the Department provides and strives to improve programs and support services necessary to meet the identified state and federal educational needs of Iowa, efficiently and effectively.

Vaudt recommended the Department obtain and process requests for payments from subrecipients more timely or consider estimating payables to more accurately report payables at year end. In addition, the Department should consider ways to strengthen controls over federal drawdowns, monitoring of federal programs and payroll charged to federal programs. The Department should also develop policies and procedures over various aspects of the EDINFO System. The Department's responses are included in the report.

A copy of the report is available for review in the Iowa Department of Education, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/1060-2820-BR00.pdf>

###





**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF EDUCATION**

**JUNE 30, 2009**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
**Auditor of State**







OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

July 14, 2010

To the Members of the State  
Board of Education:

The Iowa Department of Education is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2009.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which include those reported in the State's Single Audit Report and the State's Report on Internal Control, as well as other recommendations pertaining to the Department's internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Education's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Education, citizens of the State of Iowa and other parties to whom the Iowa Department of Education may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 19 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor  
Richard C. Oshlo, Jr., Director, Department of Management  
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2009

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

**CFDA Number: 10.553 – School Breakfast Program**

**Agency Number: 2006IN109943, 2007IN109943, 2008IN109943, 2009IN109943**

**Federal Award Year: 2006, 2007, 2008, 2009**

**CFDA Number: 10.555 – National School Lunch Program**

**Agency Number: 2006IN109943, 2007IN109943, 2008IN109943, 2009IN109943**

**Federal Award Year: 2006, 2007, 2008, 2009**

**State of Iowa Single Audit Report Comment: 09-III-USDA-282-2**

- (1) Monitoring of Subrecipient Audit Reports – Office of Management and Budget (OMB) Circular A-133 requires the Department to ensure required audit reports of subrecipients expending \$500,000 or more in federal awards are completed within nine months of the subrecipient's fiscal year end, issue a management decision on audit findings within six months of the receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action on all findings.

The Department has established policies and procedures for obtaining and performing desk reviews of audit reports for subrecipients which expend more than \$500,000 from the Department each year. One of the twenty-three school districts tested was initially reviewed within six months of the receipt of the subrecipient's audit report, but the findings relating to the above programs were not provided to the appropriate person for further follow-up.

Recommendation – The Department should ensure audit reports for all subrecipients which receive \$500,000 or more in federal awards each year are formally reviewed in a timely manner, including appropriate follow-up.

Response and Corrective Action Planned – The Department will ensure a review of audit findings for subrecipients receiving \$500,000 occurs per regulations. The Department also assures if compliance issues are found, follow-up will occur to ensure corrections on those items.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

**CFDA Number: 10.553 – School Breakfast Program**

**Agency Number: 2006IN109943, 2007IN109943, 2008IN109943, 2009IN109943**

**Federal Award Year: 2006, 2007, 2008, 2009**

**CFDA Number: 10.555 – National School Lunch Program**

**Agency Number: 2006IN109943, 2007IN109943, 2008IN109943, 2009IN109943**

**Federal Award Year: 2006, 2007, 2008, 2009**

**CFDA Number: 10.556 – Special Milk Program for Children**

**Agency Number: 2008IN109943, 2009IN109943**

**Federal Award Year: 2008, 2009**

**CFDA Number: 10.559 – Summer Food Service Program for Children**

**Agency Number: 2008IN109943, 2009IN109943**

**Federal Award Year: 2008, 2009**

**State of Iowa Single Audit Report Comment: 09-III-USDA-282-3**

- (2) Subrecipient Monitoring – Administrative reviews of each subrecipient are scheduled as required, but there is no independent verification all review requirements have been completed and proper follow-up, if necessary, has been completed and resolved.

Recommendation – The Department should track all administrative reviews to determine whether reviews have been properly completed and review findings noted, if any, have been followed up and resolved.

Response and Corrective Action Planned – The Bureau Chief or the Chief's designee will confirm all required reviews have final closure. Follow-up will occur on compliance issues to ensure subrecipients are complying with requirements. Documentation of these actions will be maintained.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

**CFDA Number: 10.558 – Child and Adult Care Food Program**

**Agency Number: 2008IN202043, 2009IN202043**

**Federal Award Year: 2008, 2009**

**State of Iowa Single Audit Report Comment: 09-III-USDA-282-4**

- (3) Administrative Reviews – The Code of Federal Regulations, 7 CFR 226.6(m)(6), requires the Department to annually review at least 33.3% of all institutions. In addition, at least 15% of the total number of facility reviews must be unannounced. Sponsoring organizations with less than 100 facilities must be reviewed at least every three years and sponsoring organizations with more than 100 facilities must be reviewed at least once every two years.

During the fiscal year, the Department implemented a new on-line tracking system to document the administrative reviews completed. Implementation of this system was not complete at the time of testing, so we were unable to obtain complete information on the reviews performed during the year. Because of this, we were unable to determine whether 74 institutions were reviewed as required.

Recommendation – The Department should complete the implementation of the tracking system in order to monitor the total reviews completed. The Department should also monitor the list of completed reviews to determine whether reviews are being completed as required.

Response and Corrective Action Planned – Following the close of the onsite audit process, additional information on reviews completed was provided from other sources, documenting to the auditors the completion of the required number of reviews.

Enhancements to the current review tracking system are in process and scheduled for completion by September 30, 2010. When fully implemented, the system will be integrated with the electronic program application and review systems, providing for an integrated system for tracking, monitoring and summarizing review status, types of review, review completion and compliance with federal regulations. This will facilitate regular monitoring of review status from one database.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

**CFDA Number: 10.558 – Child and Adult Care Food Program**

**Agency Number: 2008IN202043, 2009IN202043**

**Federal Award Year: 2008, 2009**

**State of Iowa Single Audit Report Comment: 09-III-USDA-282-5**

- (4) Terminated Day Care Providers – The Code of Federal Regulations, 7 CFR 226.6(b)(8)(C)(ii), requires the Department to notify the USDA Food Nutrition Services Regional Office within ten days of receiving a notice of termination and disqualification of a day care home, including the name, mailing address and date of birth of each day care home provider whose agreement is terminated for cause.

For four of the five terminated home providers tested, the Department did not send termination documents to the USDA Food Nutrition Services Regional Office in a timely manner.

Recommendation – The Department should ensure the required documentation for terminated home providers is sent to the USDA Food Nutrition Services Regional Office within ten days of termination.

Response and Corrective Action Planned – The Department will ensure the required documentation for “seriously deficient” terminated home providers is sent to the USDA Food and Nutrition Service Regional Office within ten days of termination. The Department will maintain documentation of this action.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

**CFDA Number: 84.010 – Title 1 Grants to Local Education Agencies**

**Agency Number: S010A070015, S010A080015**

**Federal Award Year: 2008, 2009**

**State of Iowa Single Audit Report Comment: 09-III-USDE-282-1**

- (5) Monitoring of Subrecipient Audit Reports – OMB Circular A-133 requires the Department to ensure required audit reports of subrecipients expending \$500,000 or more in federal awards are completed within nine months of the subrecipient's fiscal year end, issue a management decision on audit findings within six months of the receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action on all findings.

The Department has established policies and procedures for obtaining and performing desk reviews of audit reports for subrecipients which expend more than \$500,000 from the Department each year. For one of twenty-three school districts tested, the Department did not follow up on the audit findings related to the above program.

Recommendation – The Department should ensure audit reports for all subrecipients which receive \$500,000 or more in federal awards each year are formally reviewed in a timely manner, including appropriate follow-up.

Response and Corrective Action Planned – The Department will ensure a review of audit findings for subrecipients receiving \$500,000 occurs per statute. The Department also assures if compliance issues are found, follow-up will occur to ensure corrections on those items.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

**CFDA Number: 84.010 – Title I Grants to Local Education Agencies**

**Agency Number: S010A070015, S010A080015**

**Federal Award Year: 2008, 2009**

**CFDA Number: 84.027 – Special Education Grants to States**

**Agency Number: H027A060097, H027A070097, H027A080097**

**Federal Award Year: 2007, 2008, 2009**

**CFDA Number: 84.367 – Improving Teacher Quality State Grants**

**Agency Number: S367A070014, S367A080014**

**Federal Award Year: 2008, 2009**

**State of Iowa Single Audit Report Comment: 09-III-USDE-282-2**

- (6) Payroll Distribution – OMB Circular A-87 states employees who work on multiple programs will distribute their time based on actual activity. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support. Several employees of the Department work on more than one federal program, so their time is allocated to federal programs based on time charged on their timesheet. These employees receive a letter every fiscal year documenting the percentage of time they are expected to work on each federally funded program. The employee is to record actual hours worked on each program on their timesheet.

For ten of the twenty-five timesheets tested, it appeared the recorded hours were based on the predetermined rate rather than the actual hours.

Recommendation – The Department should ensure employees record actual hours worked on each federal program rather than the predetermined rate.

Response and Corrective Action Planned – The Department will work with these work units to ensure time reporting reflects actual time spent on these federal programs during each time period.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

**CFDA Number: 84.010 – Title I Grants to Local Educational Agencies**

**Agency Number: S010A070015, S010A080015**

**Federal Award Year: 2008, 2009**

**CFDA Number: 84.027 – Special Education Grants to States**

**Agency Number: H027A060097, H027A070097, H027A080097**

**Federal Award Year: 2007, 2008, 2009**

**CFDA Number: 84.173 – Special Education Preschool Grants**

**Agency Number: H173A060102, H173A070102, H173A080102**

**Federal Award Year: 2007, 2008, 2009**

**CFDA Number: 84.367 – Improving Teacher Quality State Grants**

**Agency Number: S367A070014, S367A080014**

**Federal Award Year: 2008, 2009**

**State of Iowa Single Audit Report Comment: 09-III-USDE-282-3**

- (7) Appeal Board Claims – The Department performs certain procedures after September 1 of each year to identify additional accounts payable which were not included as expenditures on the Integrated Information for Iowa (I/3) system. However, at June 30, 2009 there were approximately \$5.8 million in requests for payments submitted by subrecipients, of which approximately \$151,000 pertained to the Title I Grants to Local Educational Agencies, approximately \$38,000 pertained to the Special Education Cluster and approximately \$2.5 million pertained to the Improving Teacher Quality State Grants, which were not reported to the Iowa Department of Administrative Services - State Accounting Enterprise.

Recommendation – The Department should obtain and process requests for payments from subrecipients timely or the Department should consider estimating payables to more accurately report payables at year end.

Response and Corrective Action Planned – The Department is concerned as well about the volume of appeal board claims processed in the last appeal board window. There are several factors contributing to this issue. Everyone, including the Department and external subrecipients, has less staff this year than they've had in the past. Increased workloads with less staff contributes to slower processing time, both from the vendors/subrecipients in terms of invoicing and in the Department in terms of processing work through both the program bureaus and internal operations. Additionally, some activities simply don't fit well into a fiscal year accounting system. Internal operations has no control over when the billed activities occur in the field and, consequently, we pay as we get claims up to the window when we no longer can pay. The Department has also experienced a good amount of turnover in key positions on the program side and internal operations. This transition leads to lags while capacity is built.

All of that serves as an explanation and not an excuse. The Department does want to reduce the number of late claims in the system because that is the right way to conduct business. Several events are in process that should work to improve this situation over time. We are still in the process of developing updated contracting and claims manuals

## Report of Recommendations to the Iowa Department of Education

June 30, 2009

for all staff to use. These manuals will standardize processes and identify the steps needed to properly enact a contract or to process a claim. Internal operations is also providing monthly information to all bureaus on unexpended balances and expenditures against the budget for the fiscal year. Internal operations is taking a more aggressive approach to stagnant pending claims by supplying more notice both to program staff and to subrecipients. The Chief Financial Officer (CFO) is also taking a firmer approach to holding program staff and vendors to the conditions of contracts and grants, which means some late payments that went through in the past will be denied if the vendor is not complying with the agreed-upon conditions of payment.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

**CFDA Number: 84.389 – ARRA - Title I Grants to Local Education Agencies, Recovery Act**  
**Agency Number: S389A090015A**  
**Federal Award Year: 2009**

**CFDA Number: 84.391 – ARRA – Special Education Grants to States, Recovery Act**  
**Agency Number: H391A090097A**  
**Federal Award Year: 2009**

**CFDA Number: 84.392 – ARRA – Special Education - Preschool Grants, Recovery Act**  
**Agency Number: H392A090102A**  
**Federal Award Year: 2009**

**CFDA Number: 84.394 – ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act**  
**Agency Number: S394A090016**  
**Federal Award Year: 2009**

**State of Iowa Single Audit Report Comment: 09-III-USDE-282-8**

- (8) American Recovery and Reinvestment Act Subrecipient Reporting – To maximize the transparency and accountability of funds, Section 1512 of the American Recovery and Reinvestment Act (ARRA) of 2009 includes quarterly reporting requirements applicable to awards under ARRA. These reports include the amount of ARRA funds received, how the funds were used and the number of jobs created or retained. The State of Iowa is a centralized reporting State, so one statewide report which includes all Departments and subrecipients is submitted. The first quarterly report was due during fiscal year 2010.

As subrecipients of the Department, school districts expending ARRA funds upload the required information on the State reporting system. The Department approves the information prior to submission of the State's report. However, the Department does not have written monitoring procedures to review the school district reports for allowability and completeness.

Recommendation – The Department should implement written policies and procedures to review the quarterly reports submitted by school districts to determine allowability and completeness.

Response and Corrective Action Planned – The United States Department of Education (USDE) is requiring states to develop monitoring procedures for ARRA funding. The Department will work with the Iowa Department of Management and the Governor's Office on the development of these monitoring procedures. That policy should cover this finding. An initial submission of this procedure is due to the USDE on March 12, 2010.

Conclusion – Response accepted.

June 30, 2009

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

- (1) Financial Reporting – The Department records receipts and disbursements on the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded on the I/3 system is reported to the Iowa Department of Administrative Services–State Accounting Enterprise (DAS–SAE) on a GAAP package. The GAAP package is to be submitted to DAS – SAE by the first week of September each year.

The Department performs additional procedures after September 1 to identify additional accounts payable which were not included as expenditures on the I/3 system. However, even with the additional procedures performed, there were still significant outstanding requests for payments submitted by subrecipients which were not reported in the GAAP package to DAS-SAE.

Recommendation – The Department should obtain and process requests for payments to subrecipients more timely or the Department should consider estimating payables to more accurately report payables at year end.

Response – The Department is concerned as well about the volume of Appeal Board claims processed in the last Appeal Board window. There are several factors contributing to this issue. Everyone, including the Department and external subrecipients, has less staff this year than they've had in the past. Increased workloads with less staff contributes to slower processing time, both from the vendors/subrecipients in terms of invoicing and in the Department in terms of processing work through both the program bureaus and internal operations. Additionally, some activities simply don't fit well into a fiscal year accounting system. Internal operations has no control over when the billed activities occur in the field and consequently, we pay as we get claims up to the window when we no longer can pay. The Department has also experienced a good amount of turnover in key positions on the program side and internal operations. This transition leads to lags while capacity is built.

All of that serves as an explanation and not an excuse. The Department does want to reduce the number of late claims in the system because that is the right way to conduct business. Several events are in process that should work to improve this situation over time. We are still in the process of developing updated contracting and claims manuals for all staff to use. These manuals will standardize processes and identify the steps needed to properly enact a contract or to process a claim. Internal operations is also providing monthly information to all bureaus on unexpended balances and expenditures against the budget for the fiscal year. Internal operations is taking a more aggressive approach to stagnant pending claims by supplying more notice both to program staff and to subrecipients. The Chief Financial Officer is also taking a firmer approach to holding program staff and vendors to the conditions of contracts and grants, which means some late payments that went through in the past will be denied if the vendor is not complying with the agreed-upon conditions of payment.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

- (2) Payroll – The Department processes and records payroll and personnel information on the Human Resource Information System (HRIS).

Individuals within the Department have the ability to initiate and approve timesheets.

In addition, the Department has assigned certain employees to “act for” other employees by entering their time into HRIS and approving their timesheet. There is no independent review of the information entered into HRIS by the “acts for” employees since in most cases the same person is entering the information and approving the information.

Several employees of the Department work on more than one federal program, so their time is allocated to the federal program based on time charged on their timesheet. A payroll clerk summarizes timesheets for all employees whose payroll is distributed between programs. There is no independent review to ensure the payroll distribution entered on HRIS is correct and the correct federal program is being charged.

Recommendation – To strengthen controls, the Department should develop and implement procedures to segregate the duties of the Human Resource Associates from the duties of payroll. Also, an independent review should be performed and documented over the information entered into HRIS by the “acts for” employee and the payroll distribution information entered on HRIS.

Response – We will establish review processes for payroll which will ensure no one person has the ability to submit data to HRIS without a second person reviewing the information for accuracy. This will specifically apply to any “acts for” employee.

Conclusion – Response accepted.

- (3) Review Documentation – The Department periodically draws funds from the federal government. The draw is prepared and recorded on the I/3 system using a cash receipt and a grant information sheet as supporting documentation. One individual is responsible for the preparation of the document and another individual reviews the document, but there is no evidence of the review.

Recommendation – To strengthen controls, the Department should develop and implement procedures to document the independent review of federal draws.

Response – The Department will ensure a review process is in place to ensure any draw is independently reviewed by a second staff member. For example, the person developing a cash receipt (CR) will not be the person approving the CR on the I/3 system. A second party will do the approval so the amounts can be checked and verified.

Conclusion – Response accepted.

June 30, 2009

**Other Findings Related to Internal Control:**

(1) Contractual Agreements – Under the authority of Executive Order #25, the Department established a number of service contracts with outside parties during the year ended June 30, 2009. For 42 contracts tested, the following were identified:

- (a) The Department did not approve 35 contracts prior to the date of execution.
- (b) For one contract where sole source justification was required, a sole source justification form was completed but was not properly signed by the Director.
- (c) Two contracts did not have a pre-contract questionnaire, as required.

Recommendation – The Department should ensure contracts are properly approved and comply with the policies and procedures for contracts established by the Iowa Department of Administrative Services.

Response – The approval of contracts prior to date of execution is of great concern to the Department. There are always situations where the Department is “assigned” work by the legislature or Governor’s Office or enters into a collaboration with another government entity where the timeline to begin the work is faster than the process to enact the contract can accommodate. In these situations, we do the best we can to keep the process in front of the deadlines.

This is a point of emphasis for the Department and one of the issues that will be directly addressed by the updating/revision of the Department’s contract manual supplement to the Iowa Department of Administrative Services-State Accounting Enterprise’s policy. We anticipate the updated manual will be in place mid May 2010 at which point staff will be trained on the expectations contained in the manual. This, more than anything else, will help everyone understand the expectations in place for proper enactment and management of contracts.

If a sole source form was attached to a contract and the contract was actually sole sourced, there should be no reason why the sole source form is not signed. The Department will ensure all sole source forms are signed properly.

There should be no reason why a pre-contract questionnaire was not completed if needed, so we will ensure 100% compliance with this provision.

Conclusion – Response accepted.

(2) Logical Access Controls – A user id and password are required for authorized employees to access the EDINFO web application. Current procedures do not conform to best practices and do not document decisions made or access authorized.

Recommendation – The Department should formalize procedures for authorizing and granting logical access and strengthen password controls for the EDINFO web application.

## Report of Recommendations to the Iowa Department of Education

June 30, 2009

Response – The Department will develop procedures for authorizing and granting logical access which will include strengthened password controls. Those procedures will be developed with stakeholder input over the next few months and implemented, once complete, in the next appropriate cycle of upgrades.

Conclusion – Response accepted.

(3) Written Policies and Procedures – Formal policies and procedures help to achieve uniformity/consistency in actions taken and aid in training additional or replacement personnel. During our review of the EDINFO web application, we noted a need for written policies and procedures in the following areas:

- Incident response procedures, including reporting, documenting, follow-up and management oversight.
- Access control procedures related to authorizing, granting, documenting and removing access to the web application.
- Departmental security awareness program.
- Documentation of actions taken for employee security violations.
- Employee background checks.
- Guidance related to the segregation of incompatible duties and management oversight.
- Management oversight of access to and modification of sensitive or critical files and direct updates to the SQL tables.

Recommendation – The Department should develop written policies and procedures to strengthen security and controls in these areas.

Response – The Department will update its employee policy manual supplement to the Iowa Department of Administrative Services policy manual over the course of fiscal year 2011. We will include these issues as possible areas of policy development.

Conclusion – Response accepted.

(4) Blackberry Cellular Phone Policy – The Department provides Blackberries for a number of its employees for business use. Written policies governing the use of Blackberry cellular phones have not been adopted.

Recommendation – The Department should establish written policies governing the use of Blackberry cellular phones.

Response – The Department will update its employee policy manual supplement to the Iowa Department of Administrative Services policy manual over the course of fiscal year 2011. We will include this issue as a possible area of policy development.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

- (5) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department of the state to maintain a written, detailed and up-to-date inventory of property under its charge and control.

The Department does maintain a detailed listing, but the listing is not reviewed by someone independent of the process.

Recommendation – To strengthen controls, the Department should develop and implement procedures to perform and document an independent review of the capital asset inventory.

Response – We will ensure independent review of the asset inventory occurs.

Conclusion – Response accepted.

- (6) Grant Management – The Office of Auditor of State conducted a special investigation related to funding awarded under the Career and Technical Education – Basic Grants to States, a nonmajor program administered by the Department, to the Iowa Association of Skills USA-VICA (Iowa Skills), a non-profit organization established to serve high school and college students who are preparing for careers in trade, technical and skilled services occupations and faculty who assist them. The Department provided \$110,406 of funding to Iowa Skills from September 1, 2001 through September 30, 2008. The special investigation resulted in a report dated August 28, 2009 and identified \$78,659 of improper and unsupported disbursements and undeposited collections. In addition, the report recommends the organization strengthen internal controls and overall operations. Also, recommendations were made to the Iowa Department of Education to enhance its monitoring of Iowa Skills. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.html>.

Response and Corrective Action Planned – Department response not requested.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

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

Code of Iowa Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2009:

- a) Chapter 256.23 of the Code of Iowa requires the Department to establish a recruitment and advancement program to provide for the allocation of grants to schools. The Department has not established this program.
- b) Chapter 73.2 of the Code of Iowa states all requests for bids and proposals shall contain a paragraph reading as follows, “by virtue of statutory authority, a preference will be given to products and provisions grown and coal produced within the state of Iowa.”

Recommendation – The Department should take steps to ensure compliance with the Code of Iowa.

Response – The Department included the striking of Code of Iowa Chapter 256.23 in its Code Corrections prefiled bill again this last legislative session. The Department was unable to get that bill passed and will try again next year to get this provision struck.

The Department includes this provision of Code of Iowa Chapter 73.2 on all grant applications now.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Education

June 30, 2009

**Staff:**

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager  
Karen L. Brustkern, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Donald J. Lewis, CPA, Senior Auditor  
Tiffany M. Ainger, Staff Auditor  
Lori M. Dinville, Staff Auditor  
Daniel L. Durbin, CPA, Staff Auditor  
Jenny M. Podrebarac, Staff Auditor  
Marta M. Sobieszkoda, Staff Auditor  
Samantha J. Brincks, Assistant Auditor  
Jessica P.V. Green, Assistant Auditor  
Casey L. Johnson, Assistant Auditor  
Leanna J. Showman, Assistant Auditor  
Stephanie A. Sissel, Assistant Auditor