



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

August 10, 2010

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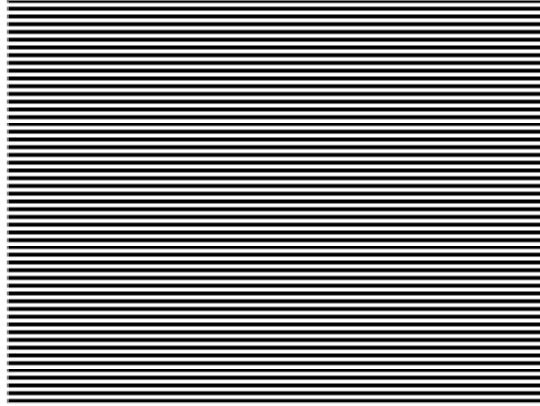
Auditor of State David A. Vaudt today released a report on the Iowa Department of Human Rights for the year ended June 30, 2009.

The Department's purpose is to promote opportunities, advocate the rights, improve the conditions of poverty and study the changing needs and problems of all Iowans.

Vaudt recommended the Department follow established policy to ensure program and fiscal monitoring reviews are performed for all subrecipients. The Department should review contract requirements and implement procedures to ensure federal funds are drawn in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances. The Department's responses are included in the report.

A copy of the report is available for review in the Iowa Department of Human Rights, in the Office of Auditor of State and on the Auditor of State's web site at: <http://auditor.iowa.gov/reports/1060-3790-0R00.pdf>

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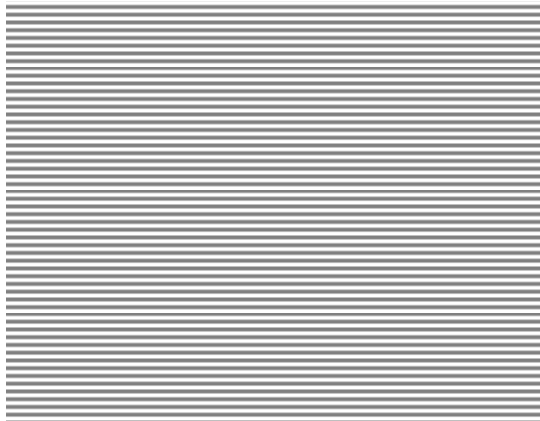
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF HUMAN RIGHTS**

JUNE 30, 2009

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



David A. Vaudt, CPA
Auditor of State





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August 5, 2010

To Mr. Preston Daniels, Director of the
Iowa Department of Human Rights:

The Iowa Department of Human Rights 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. These recommendations have been discussed with Department personnel and their responses to the 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 Human Rights' 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 Human Rights, citizens of the State of Iowa and other parties to whom the Iowa Department of Human Rights 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 10 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: 81.042 – Weatherization Assistance for Low-Income Persons

Agency Number: DE-FG-45-04R530680, DE-EE0000128

Federal Award Year: 2008, 2009

State of Iowa Single Audit Report Comment: 09-III-DOE-379-1

- (1) Program and Fiscal Monitoring – The Department's State Weatherization Plan submitted to the U.S. Department of Energy requires both program and fiscal monitoring to be performed. The weatherization plan further requires written program monitoring and fiscal monitoring reports to be sent to the subrecipient within 30 days of the review being completed.

Section III.6.3.3 of the Department's State Weatherization Plan states, "If a subgrantee had no major program monitoring findings, the state may, at its discretion, choose not to conduct monitoring of the subgrantee's program operations the following year."

The Department did not monitor the program operations component for six subrecipient agencies because the agencies did not have prior year findings. Documentation for the designation and justification of the subrecipients not monitored was not included in the grantee monitoring plan. Of the twelve agencies reviewed by the Department, four program monitoring reports were not sent to the subrecipients within 30 days of the review being completed.

In addition, eight of the eighteen fiscal monitoring reports tested were not sent to the subrecipient within 30 days of the fiscal review being completed.

Recommendation – The Department should establish and follow policies to ensure agencies with no prior year program monitoring findings have supporting documentation in the monitoring folder stating the reason the program monitoring review was not completed for the current program year. The Department should also ensure program and fiscal monitoring reports are sent in a timely manner.

Response and Corrective Action Planned – If the Department decides not to conduct monitoring of a subrecipient's program operations, the Department will document the reason why in the monitoring plan. Also, every effort will be made to ensure program and fiscal monitoring reports are sent in a timely manner.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Rights

June 30, 2009

CFDA Number: 81.042 – Weatherization Assistance for Low-Income Persons
Agency Number: DE-FG45-04R530680, DE-EE0000128
Federal Award Year: 2008, 2009

State of Iowa Single Audit Report Comment: 09-III-DOE-379-2

- (2) On-Site Home Inspections – The Department is required by the State Plan to perform inspections of weatherized homes. Inspections are to be completed on at least 5% of the houses completed during the program year. Inspection reports are to be completed on each house and sent to the subgrantee within 30 days of the date of the inspection. If the inspection report requires corrective work by the subgrantee, the corrective work must be completed within 45 days of receiving the report.

For three of the six Community Action Agency (CAA) home inspection folders reviewed, the required corrective action by the CAA was not reported by the due date.

Recommendation – The Department should establish procedures to ensure corrective action is reported by the Community Action Agencies within the required due dates.

Response and Corrective Action Planned – The Department will monitor this more closely to ensure corrective actions are reported by the due dates.

Conclusion – Response accepted.

CFDA Number: 93.568 – Low-Income Home Energy Assistance
Agency Number: G09B11ALIEA
Federal Award Year: 2009

State of Iowa Single Audit Report Comment: 09-III-HHS-379-11

- (3) Subrecipient Cash Management – The Department advances Low-Income Housing Energy Assistance Program (LIHEAP) funding to Community Action Agencies (CAA) for expenditures to date, actual funds which will be paid out within the next 30 days and accurate estimates of LIHEAP approvals that will be paid within the next 14 days. The Department also advances funds for actual expenses, work in progress and 30 day projected expenses for the subsequent month, less any cash on hand for the Home Energy Assistance Program (HEAP).

Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of these funds. They also minimize the amount of state and other federal funds used to supplant programs until federal funds are received. OMB Circular A-133 requires the Department to establish similar procedures for its subrecipients, ensuring any interest earned on advances to subrecipients in excess of \$250 is promptly, at least quarterly, returned to the federal agency. The contracts between the Department and its subrecipients require LIHEAP funds be deposited into an interest-bearing account upon receipt. The Department has not established monitoring procedures to ensure interest earned on federal funds in excess of \$250 is returned to the federal agency.

Report of Recommendations to the Iowa Department of Human Rights

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Of the five CAA's selected for review, there was one instance of LIHEAP funding where funds were not expended within 30 days of the month end. In addition, there were seven instances for one CAA for HEAP funding where funds were not expended within 30 days.

Recommendation – The Department should review its contract requirements and develop and implement procedures to ensure federal funds are drawn in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances. The Department should also establish monitoring procedures to ensure any interest earned in excess of \$250 is returned to the federal agency.

Response and Corrective Action Planned – The Department will more closely monitor disbursement of funds to the two CAA's mentioned above – one instance for LIHEAP program funding and seven instances for one agency receiving HEAP funding.

The Department will also revise LIHEAP contract language. The subrecipient contracts will say CAA's are required to: 1) remit any interest in excess of \$250 that is earned annually on LIHEAP funding; 2) the interest should be sent to the U.S. Department of Health and Human Services (HHS) promptly and at least quarterly; and 3) the Department should be copied on the letters accompanying these refunds to HHS.

The Community Action Agencies will also be required to submit their interest calculation methodology annually to the Department for review.

Conclusion – Response accepted.

CFDA Number: 93.568 – Low-Income Home Energy Assistance
Agency Number: G08B11ALIEA, G09B11ALIEA
Federal Award Year: 2008, 2009

State of Iowa Single Audit Report Comment: 09-III-HHS-379-12

- (4) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of state and other federal funds used to supplant programs until federal funds are received.

A review of the Department's records identified sixteen instances where the cash balance was in excess of \$100,000 for five to twenty business days.

Recommendation – The Department should develop and implement procedures to ensure federal funds are drawn down in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – Low-Income Home Energy Assistance Program (LIHEAP) fund balances on hand at the state level are now being monitored by the Department fiscal officer on a daily basis. A daily reminder has been included on the Outlook calendar. A worksheet showing the cash balances in the LIHEAP accounts is updated each work day and includes explanations regarding the actions to be taken to decrease funds on hand.

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This second level of review was implemented in November 2009 and appears to have corrected the problem. A copy of this worksheet will be provided to the Office of Auditor of State for review.

Conclusion – Response accepted.

June 30, 2009

Finding Reported in the State's Report on Internal Control:

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 following was noted:

(a) The GAAP Package was submitted September 22, 2009, which was not timely.

Recommendation – The Department should ensure the GAAP package is submitted timely.

Response – The DHR GAAP package was submitted electronically to DAS-SAE on September 4, 2009, the due date for the fiscal year 2009 package. It was noted in the Department's accompanying e-mail that DHR would need to provide additional information at a later date for two worksheets in the GAAP package, "Unearned" and "Comparative Analysis."

After DHR submitted the GAAP package on September 4, 2009, DAS-SAE replied on September 8, 2009 – "Given new auditing standards that took effect last year, we cannot accept incomplete packages as changes can be counted against us. I will discard this copy. Please send the complete package when you have it done and it will be marked in at that time."

The reason DHR had to provide additions to these worksheets is, as acknowledged by DAS-SAE in its State Accounting Policy and Procedure Manual, *"It is not always possible for departments to make final corrections and/or carry-forward certain revenues until the August month-end reports are distributed. It is recognized that departments need some time to make these adjustments. Documents prepared to make corrections to the financial reports and to carry-forward applicable revenues will be processed through the 10th working day of September. No documents for the previous fiscal year will be processed after the 10th working day of September."*

Thus, Departments were given until September 15, 2009 by DAS-SAE to process these fiscal year 2009 year end corrections and carry-forward transfers. However, the document numbers and I/3 processing dates for these transactions were required by DAS-SAE to be listed in the "Unearned" section of the GAAP package due September 4th.

Since some transactions' document numbers and I/3 processing dates were not determined until September 5 to September 15, DHR could not include them in the GAAP package by the 4th without submitting amended information later.

The completed GAAP package was submitted electronically September 22, 2009. The certification form was sent via local mail so DAS-SAE would have an original, signed copy from the DHR Director.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Human Rights

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Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa Department of Human Rights

June 30, 2009

Staff:

Questions or requests for further assistance should be directed to:

Deborah J. Moser, CPA, Manager
Michael J. Hackett, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Daniel L. Durbin, CPA, Staff Auditor
Gelu Sherpa, Staff Auditor
Jeana R. Muhlbauer, Assistant Auditor