



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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

David A. Vaudt, CPA  
Auditor of State

NEWS RELEASE

FOR RELEASE \_\_\_\_\_ August 25, 2010

Contact: Andy Nielsen  
515/281-5834

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

The Iowa Department of Workforce Development is comprised of six divisions: Workers Compensation, Labor Services, Administrative Services, Labor Market and Workforce Information, Unemployment Insurance and Workforce Development Center Administration. The Department is responsible for administration of the statutes and regulations relating to unemployment compensation insurance, job placement and training, employment safety, labor standards and workers' compensation.

Vaudt recommended the Department develop procedures:

- (1) To ensure balances on hand are sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.
- (2) To ensure records supporting project costs are retained in compliance with federal requirements.
- (3) To ensure the GAAP Package is accurately completed.
- (4) To identify sensitive positions and ensure background investigations are performed as part of the hiring process.
- (5) To ensure compliance with Department of Administrative Services Policy 240.102 for personal service contracts.
- (6) To ensure the capital assets inventory is kept current and complete.
- (7) To ensure necessary steps are taken to comply with the Code of Iowa or seek the repeal of outdated Code sections.

The report also includes the Department's responses to the recommendations.

A copy of the report is available for review at the Iowa Department of Workforce Development, in the Office of Auditor of State and on the Auditor of State's web site at:

<http://auditor.iowa.gov/reports/1060-3090-BR00.pdf>

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**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF WORKFORCE DEVELOPMENT**

**JUNE 30, 2009**

— Office of —  
**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
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August 17, 2010

To Elisabeth Buck, Director of the  
Iowa Department of Workforce Development:

The Iowa Department of Workforce Development 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 Workforce Development'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 Department, citizens of the State of Iowa and other parties to whom the Department 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 any of 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: 17.225 – Unemployment Insurance**

**Agency Number: REEDACT03-13-2002**

**Federal Award Year: 2002**

**State of Iowa Single Audit Report Comment: 09-III-DOL-309-1**

- (1) 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. As stated in the CMIA Agreement, the Unemployment Insurance (UI) program is funded on a pre-issuance basis. This means federal draws are to be requested so they are not deposited more than three days prior to the date of disbursement.

A review of the Department's ledgers and cash management system identified five of thirty-three payroll draws for UI-Reed Act were not drawn within the proper time period. In addition, one of thirty-nine payroll draws for UI-Reed Act were deposited subsequent to the date of disbursement.

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

Response and Corrective Action Planned – The Department will continue to monitor the requests for funds on the UI-Reed Act programs and time deposits as close to the date of disbursement as is possible. In most all cases, the costs have been incurred during the three day window prior to disbursement. However, if the cost allocation software does not function properly, then the costs incurred against UI-Reed Act do not get posted as such on the books of account, on the date we anticipated. In other words, the costs may have occurred but just not appear on the accounting records until a day after they were actually paid. We will continue to work with the state accounting technical support team to get cost allocation running and posted in a timely manner. Employee leave and other personnel issues also cause funds to be drawn earlier or later than what would be our normal operation. We will take immediate steps to work at resolving those situations. This will include ensuring back-up personnel are assigned to cover the daily draw downs and work with the Iowa Department of Administrative Services to ensure cost allocation transactions are posted each night.

Conclusion – Response accepted.

June 30, 2009

**CFDA Number: 17.225 – Unemployment Insurance**

**Agency Number: REEDACT03-13-2002**

**Federal Award Year: 2002**

**State of Iowa Single Audit Report Comment: 09-III-DOL-309-2**

- (2) Record Retention – The Code of Federal Regulations, 29 CFR 97.42, requires supporting documentation for all expenditures be retained for three years after the final expenditure report. The Department is administering the Unemployment Insurance Tax Redesign Project, which is still in progress. During a review of this project, certain documentation supporting the project costs was not available or had not been consistently retained.

Recommendation – The Department should ensure records supporting project costs are retained in compliance with federal requirements.

Response and Corrective Action Planned – All involved on the project have been informed standard records retention is not to be followed on 2002 Reed Act funds. Instead of maintaining records for three years, we will continue to maintain all Reed Act records until three years after the final expenses are incurred. Longer if there are any outstanding issues in regards to those funds. Notifications have been made to the appropriate individuals and divisions.

Conclusion – Response accepted.

June 30, 2009

**Findings 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 items were noted:

- (a) The delinquent employer contributions penalty and interest receivable allowance for doubtful accounts was overstated by \$635,224. This was properly adjusted for reporting purposes.
- (b) The delinquent employer contributions receivable allowance for doubtful accounts was understated by \$402,392. This was properly adjusted for reporting purposes.
- (c) The Trade Readjustment Assistance benefits payable was omitted from the GAAP package, resulting in an \$85,838 understatement of accounts payable and a \$65,665 understatement of receivables. This was properly adjusted for reporting purposes.
- (d) The Combined Wage Claims Payable to Other States was understated by \$2,711,219. This was properly adjusted for reporting purposes.
- (e) The schedule of future minimum operating lease payments was understated by \$4,511,665. This was properly adjusted for reporting purposes.
- (f) There were several other GAAP package pages with immaterial errors noted.

Recommendation – The Department should ensure the GAAP package information reported is complete and accurate.

Responses –

- a) The amount shown for allowance for doubtful accounts and net receivables were inadvertently reversed on the GAAP package. The total for receivables was correct. The error will be corrected when completing the fiscal year 2010 GAAP package.
- b) Procedures will be corrected for fiscal year 2010.
- c) This small balance was not reported in the fiscal year 2008 GAAP package and was not included in the fiscal year 2009 GAAP package. It will be included in the fiscal year 2010 GAAP package.
- d) The payments from August 13 were not recorded on the original spreadsheet due September 1. The final Trust Fund reconciliation was not available until September 15 when it was supplied. The situation will be monitored in fiscal year 2010.
- e) New staff was involved in preparation of the schedule and the schedule was submitted prior to review. Procedures will be revised for the fiscal year 2010 GAAP package.
- f) Closer review will be done for fiscal year 2010.

Conclusion – Responses accepted.



June 30, 2009

**Other Finding Related to Internal Control:**

Background Investigations – The Department hires employees for various positions, including positions which are sensitive in nature, such as information technology staff, individuals with access to cash, etc. Background investigations are not done as part of the employee hiring process

Recommendation – The Department should develop procedures to identify sensitive positions and ensure background investigations are performed as part of the hiring process.

Response – A background Check Form has been approved by the Division of Criminal Investigation (DCI) and a system put in place to reimburse DCI for accessing records and preparing reports on our behalf. IWD managers are currently reviewing FTEs to determine which should have a review conducted prior to employment. It is our hope to have this finalized and begin using this process in State fiscal year 2011.

Conclusion – Response accepted.

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

- (1) Personal Service Contracts – Iowa Department of Administrative Services (DAS) Policy 240.102 provides general guidelines to be used by departments when entering into personal service contracts. The required procedures include obtaining a signed contract prior to the performance of the contracted services.

Six of the twenty-five contracts tested were not signed by all parties prior to the contracted service starting date and one has not been signed to date.

Recommendation – The Department should ensure compliance with policies and procedures for service contracts established by the Department of Administrative Services.

Response – There are many reasons why this is not always possible. Many of the grants we receive have retroactive start dates, but the contract cannot be finalized until the Notice of Obligation (NOO) from the U.S. Department of Labor is received. Those NOO's may be received as much as 60 days after the grant has started, but without an NOO, we cannot disburse any funds. With National Emergency grants, we cannot hold up providing services to the citizens of Iowa because the contract is not signed yet. So these services often begin before a contract is signed. Since most of those contracts are with entities we have contracted with before, there's not a large concern about providing services without a signed agreement. We do realize the importance of timely contracting and will make every attempt to get those signed as quickly as possible. Staff will be notified that they must give more priority to getting contract information to our contract writer, in a timely manner.

Conclusion – Response acknowledged. As recommended, the Department should ensure compliance with DAS policies and procedures for service contracts and limit exceptions to only emergency situations.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2009

- (2) 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 following were noted:
- (a) Five of fifteen capital assets selected from the listing could not be located.
  - (b) One of ten capital assets selected for observation at the Department could not be traced to the capital asset listing.
  - (c) Seven capital assets were reported to be deleted during fiscal year 2009. Two approvals for deletions were not dated until June 2010 and approval documentation for the other five capital assets could not be located.
  - (d) Capital assets were tested as a part of field office visits. The following items were noted:
    - (1) One of ten capital assets tested from the Marshalltown field office asset listing and two of six capital assets tested from the Oskaloosa field office asset listing were not included on the Central Office master listing.
    - (2) The Central Office master listing of capital assets for the Pella and Oskaloosa field offices does not display a tag number for each asset although the listings kept by the field offices include tag numbers.

Recommendation – The Department should review capital asset policies and procedures to ensure a detailed, up-to-date capital asset listing is maintained. This includes ensuring all assets are properly accounted for and included on the capital asset listing. In addition, support and approval for deletions should be obtained prior to removing items from the capital asset listing. The Department should also ensure proper State identification tags are assigned and included on all assets.

Response – The functions related to property control and management are being turned over to one of our other accounting personnel. The Accountant 3 that has been handling property no longer has sufficient time to devote to inventory control as duties with cash management have become a full time endeavor without the added burden of managing assets. Improvement should be seen in state fiscal year 2011 on this matter.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2009

(3) Iowa Code Compliance – The following compliance items were noted for fiscal year 2009.

- (a) Iowa Conservation Corps – Chapter 84A.7 establishes the Iowa conservation corps to provide meaningful and productive public service jobs for youth, unemployed persons, persons with disabilities, disadvantaged persons, and elderly persons and to provide participants with an opportunity to explore careers, gain work experience and contribute to the general welfare of their communities and state. The Department is to administer the corps and the Iowa conservation corps account.

This program and the account are currently inactive.

- (b) Statewide Mentoring Program – Chapter 84A.9 states the Department shall establish and administer, in collaboration with the Departments of Human Services, Education and Human Rights, a statewide mentoring program to recruit, screen, train and match individuals in a mentoring relationship.

This program is currently inactive.

- (c) New Employment Opportunity Program – Chapter 84A.10 states the Department shall implement and administer a new employment opportunity program to assist individuals in under-utilized segments of Iowa's workforce, including, but not limited to, persons with physical or mental disabilities, persons convicted of a crime or minority persons between the ages of twelve and twenty-five, to gain and retain employment.

This program is currently inactive.

Recommendation – The Department should take the necessary steps to ensure compliance with the Code of Iowa or the Department should seek the repeal of outdated Code sections.

Response – IWD will have our legislative liaison review the Code and seek assistance from the Legislature on ensuring these sections be removed during the next General Assembly.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2009

**Staff:**

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager  
Brian R. Brustkern, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Jessica N. Meierotto, Staff Auditor  
Gelu Sherpa, Staff Auditor  
Marta M. Sobieszkoda, Staff Auditor  
Dorothy O. Stover, Staff Auditor  
Ainslee M. Barnes, Assistant Auditor  
Kelly L. Hilton, Assistant Auditor  
Casey L. Johnson, Assistant Auditor  
Jeana R. Muhlbauer, Assistant Auditor  
Reza Sepehri, Assistant Auditor  
Leanna J. Showman, Assistant Auditor