



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 15, 2005

Contact: Andy Nielsen
515/281-5834

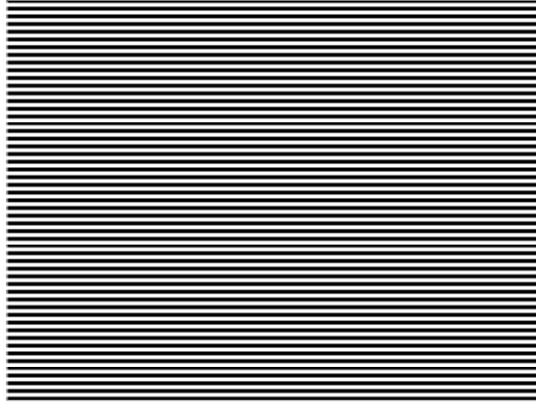
Auditor of State David A. Vaudt today released a report on the Office of Secretary of State for the year ended June 30, 2004.

The Secretary of State is the State Elections Commissioner, directs the State Land Office and commissions Iowa notaries public. In addition, the Office of Secretary of State receives and processes various reports and the related fees required of corporations, borrowers and lenders.

Vaudt recommended the Secretary of State improve controls over accounts receivable.

A copy of the report is available for review in the Office of Secretary of State or the Office of the Auditor of State.

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**REPORT OF RECOMMENDATIONS TO THE
OFFICE OF SECRETARY OF STATE**

JUNE 30, 2004

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



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



0560-6350-0R00



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July 7, 2005

To the Honorable Chester J. Culver, Secretary of State:

The Office of Secretary of State is a part of the State of Iowa and, as such, has been included in our audit of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2004.

In conducting our audits, we became aware of an aspect concerning the Office of Secretary of State's operations for which we believe corrective action is necessary. As a result, we have developed a recommendation which is reported on page 5. The recommendation pertains to the Office of Secretary of State's internal control. The recommendation has been discussed with Office of Secretary of State personnel and their response to the recommendation is included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Office of Secretary of State, citizens of the State of Iowa and other parties to whom the Office of Secretary of State 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 Office of Secretary of State during the course of our audits. Should you have any 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 Office of Secretary of State are listed on page 5 and they are available to discuss these matters with you.

Handwritten signature of David A. Vaudt in cursive.

DAVID A. VAUDT, CPA
Auditor of State

Handwritten signature of Warren G. Jenkins in cursive.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Office of Secretary of State

June 30, 2004

Findings Reported in the State's Single Audit Report:

No matters were noted.

Finding Related to Internal Control:

Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Office of Secretary of State's financial statements.

One employee of the Office of Secretary of State receives payments on accounts receivable from the mail opener, prepares the deposit for those receipts and posts the payments to the accounts receivable system.

Recommendation – Adequate segregation of duties should be established so the same person does not receive payments on account, prepare the deposit and post the payments to the accounts receivable system.

Response – As of May 2004, we have changed our procedures to include the reconciliation of checks received on account to payment information from the Great Plains system by an independent person who also stamps the checks. The checks are returned to the first employee for deposit.

Conclusion – Response acknowledged. The payment information reconciled to checks received should be reviewed by an independent person and reconciled to the cash receipt report from the Treasurer's office. The reconciliation should be documented by signature or initials.

Findings Related to Statutory and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager
Julie J. Lyon, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Ryan J. Johnson, Staff Auditor
Jeffrey L. Lenhart, Assistant Auditor