



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ December 22, 2008

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, 2007.

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 payroll certifications are supported by actual time charged through the state payroll system and ensure all employees are included in the time study.
- (2) To ensure balances on hand are sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.
- (3) To ensure policies and procedures are followed to provide subrecipients with final determinations for program monitoring visits on a timely basis.
- (4) To ensure the capital assets inventory is kept current and complete.
- (5) To ensure the GAAP Package is accurately completed and reviewed by management prior to submission.
- (6) To ensure compliance with Department of Administrative Services Policy 240.102 for personal service contracts.
- (7) To identify sensitive positions and ensure background investigations are performed during the hiring process.
- (8) To ensure necessary steps are taken to comply with the Code of Iowa or seek the repeal of outdated Code sections.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/reports.htm>.

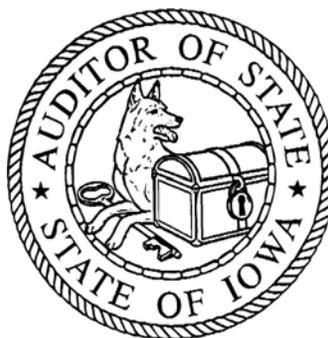


**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF WORKFORCE DEVELOPMENT**

**JUNE 30, 2007**

— Office of —  
**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



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





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November 26, 2008

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, 2007.

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, 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.

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 12 and they are available to discuss these matters with you.

Handwritten signature of David A. Vaudt in black ink.

DAVID A. VAUDT, CPA  
Auditor of State

Handwritten signature of Warren G. Jenkins in black ink.

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor  
Charles J. Krogmeier, Director, Department of Management

June 30, 2007

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

**CFDA Number: 17.207 – Employment Service**

**Agency Number: ES14864SJ, ES14864SL, ES14821PL, ES14864TY, ES15695VL,  
ES15695VM, ES15695WR**

**Federal Award Year: 2005, 2006, 2007**

**CFDA Number: 17.225 – Unemployment Insurance**

**Agency Number: UI14434QD, UI15121TM, UI15798FO**

**Federal Award Year: 2005, 2006, 2007**

**CFDA Number: 17.258 – WIA Adult Program**

**Agency Number: AA14675SS, AA15479VC**

**Federal Award Year: 2006, 2007**

**CFDA Number: 17.259 – WIA Youth Activities**

**Agency Number: AA14675QY, AA15479UT, AA15479WL**

**Federal Award Year: 2005, 2006, 2007**

**CFDA Number: 17.260 – WIA Dislocated Workers**

**Agency Number: EM15064RM, EM14966PU, EM15014PU, EM15366SW, AA14675SU,  
AA15479VE, EM15779VP, EM15911VP,  
EM15990VP, EM16096VP, AA15479WN**

**Federal Award Year: 2005, 2006, 2007**

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**

**Agency Number: G-0602IATANF, G-0702IATANF**

**Federal Award Year: 2006, 2007**

**State of Iowa Single Audit Report Comments: 07-III-DOL-309-1 and 07-III-HHS-309-5**

- (1) Payroll Allocation – The Department performs a time study on a monthly basis to determine percentages of time spent on various federal programs within a designated cost pool. The percentages are based upon certifications submitted by the employees working within the cost pool. The percentages are compiled on a monthly basis and a quarterly average is calculated. Utilizing the quarterly averages, total costs are distributed to the federal programs within the cost pool.

Review of work report information provided by employees on the state payroll system indicated five employee's total time charged to the cost pool did not agree with the percentage of time certified for one quarter. Also, one employee charged time to the cost pool for a portion of the fiscal year but was not included in the time study.

Recommendation – The Department should develop procedures to ensure payroll certifications are supported by actual time charged through the state payroll system. Also, the Department should ensure all employees turn in signed time studies on a timely basis.

Response and Corrective Action Planned – Returning time studies on a timely basis has continued to be the leading cause of any errors found of this nature. Due to the fact that federal reports are due within thirty days on some programs and forty-five days after the end of the quarter on other programs, there is a very short turnaround necessary to get time studies completed, turned in to financial management and incorporated into our allocation of the previous month's costs. There have been

June 30, 2007

occasions where the federal reports had to be completed before all time studies were turned in. IWD will take steps necessary to enforce the rule that time studies are to be turned in within sufficient time to complete federal reports. It should be noted however, that the four instances cited constitute 1% of the total time studies submitted on an annual basis. Therefore, any discrepancies found would result in immaterial variances between the amount charged and that would have been charged, had the time studies been completed in a more timely manner.

Conclusion – Response accepted.

**CFDA Number: 17.225 – Unemployment Insurance**  
**Agency Number: UI14434QD, UI15121TM, UI15798FO**  
**Federal Award Year: 2005, 2006, 2007**

**CFDA Number: 17.245 – Trade Adjustment Assistance**  
**Agency Number: TA14379QP, UI15121TZ, UI15121UD, TA15302UA, UI15798XM,**  
**UI15798XN, TA15898WW**  
**Federal Award Year: 2005, 2006, 2007**

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**  
**Agency Number: G-0602IATANF, G-0702IATANF**  
**Federal Award Year: 2006, 2007**

**State of Iowa Single Audit Report Comments: 07-III-DOL-309-2 and 07-III-HHS-309-4**

- (2) Cash Management – 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.

For the Unemployment Insurance program, fourteen instances were noted where the cash balance was excessive for five or more consecutive days.

For the Trade Adjustment Assistance program, four instances were noted where the cash balance was excessive for six or more consecutive days.

For the Temporary Assistance for Needy Families (TANF) program, four instances were noted where the cash balance was excessive for a period of seven or more consecutive days.

Recommendation – The Department should monitor cash balances to ensure balances on hand are sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – IWD will continue to monitor each drawdown received to ensure funds are not requested until they are necessary and expended in a timely manner. It should be pointed out that IWD performed its own internal analysis of drawdowns in this fund and came to different conclusions than those cited by the auditors. The sample period chosen by IWD coincided with the time period cited by the auditors as having excess cash. Our analysis did not show that to be the case for the same time period. In either case, we will continue to monitor balances and limit cash balances to only immediate cash needs.

Conclusion – Response accepted considering there may be slight perspective differences in the manner in which each analysis is performed.

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**CFDA Number: 17.258 – WIA Adult Program**  
**Agency Number: AA14675SS, AA15479VC**  
**Federal Award Year: 2006, 2007**

**CFDA Number: 17.259 – WIA Youth Activities**  
**Agency Number: AA14675QY, AA15479UT, AA15479WL**  
**Federal Award Year: 2005, 2006, 2007**

**CFDA Number: 17.260 – WIA Dislocated Workers**  
**Agency Number: EM15064RM, EM14966PU, EM15014PU, EM15366SW,**  
**AA14675SU, AA15479VE, EM15779VP, EM15911VP,**  
**EM15990VP, EM16096VP, AA15479WN**  
**Federal Award Year: 2005, 2006, 2007**

**State of Iowa Single Audit Report Comment: 07-III-DOL-309-3**

- (3) Subrecipient Monitoring – OMB Circular A-133 requires each state to have a monitoring system which provides for annual on-site monitoring reviews of subrecipient's compliance with U.S. Department of Labor uniform administrative requirements, ensures established policies to achieve program quality and outcomes meet the Workforce Investment Act's objectives and enables the Governor to determine if subrecipients and contractors are in substantial compliance with Workforce Investment Act (WIA) requirements. The Circular also requires each state to ensure required audit reports of subrecipients are completed within nine months of the end of the subrecipient's audit period, issue a management decision on audit findings within six months of receipt of the subrecipient's audit report and ensure the subrecipient takes timely and appropriate corrective action on all audit findings.

The Department has established policies and procedures to be followed in the performance of subrecipient program monitoring. In accordance with policies, the Department issues an initial determination letter to the subrecipient. The policies also state a final determination will be issued to the subrecipient within twenty days after receipt of the response from the subrecipient. For two of ten subrecipients tested, the final determinations for program monitoring visits had not been sent within twenty days of receipt of the response.

Recommendation – The Department should ensure policies and procedures are followed to provide subrecipients with final determinations for program monitoring visits on a timely basis.

Response and Corrective Action Planned – The Department will continue to perform its own internal monitoring of program compliance reports and ensure all are completed within the required time frame. Staff are aware of the deadlines and the importance of compliance with those deadlines.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2007

**CFDA Number: 17.258 – WIA Adult Program**  
**Agency Number: AA13798PQ, AA14675RI, AA14675SS**  
**Federal Award Year: 2005, 2006**

**CFDA Number: 17.259 – WIA Youth Activities**  
**Agency Number: AA13798NZ, AA14675QY**  
**Federal Award Year: 2004, 2005**

**CFDA Number: 17.260 – WIA Dislocated Workers**  
**Agency Number: EM10885MR, EM15064RM, EM10882PU, EM14966PU, EM15014PU,**  
**EM15366SW, AA13798PS, AA14675RK, AA14675SU**  
**Federal Award Year: 2004, 2005, 2006**

**CFDA Number: 93.558 – Temporary Assistance for Needy Families**  
**Agency Number: G-0401IATANF**  
**Federal Award Year: 2004**

**State of Iowa Single Audit Report Comments: 07-III-DOL-309-4 and 07-III-HHS-309-6**

- (4) Grant Management – The Office of Auditor of State conducted an investigation related to grants awarded by the Iowa Department of Workforce Development to the Central Iowa Employment and Training Consortium (CIETC) for the programs identified above. Disbursements to CIETC for the above programs for the grant period July 1, 2003 through September 30, 2005 totaled \$3,296,531. The investigation resulted in a report dated March 29, 2006 issued to the Director of the Iowa Department of Workforce Development and the Offices of Inspector General for the U.S. Departments of Labor and Health and Human Services. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/0614-1602-BOP0.pdf>. Investigations by State and Federal officials are on going. A settlement between the State of Iowa and the U.S. Department of Labor has been reached and payment is to be made.

Response and Corrective Action Planned – Department response was not requested.

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

- (1) 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. Findings are noted below:
  - (a) The Department did not reconcile capital asset additions to I/3 expenditures.
  - (b) Nine of nineteen capital asset expenditures tested were coded to an incorrect expenditure object code. Five of twenty-six capital asset additions tested were incorrectly coded to an expenditure object code for non-inventory assets.
  - (c) Two of ten capital assets observed at the Department had a value over the capitalization policy amount of \$5,000 but were not on the Department's capital asset listing.
  - (d) Two of twenty-five capital assets tested for existence did not have the correct serial number recorded on the capital asset listing. Also, one asset did not have a state property tag affixed to it.
  - (e) During the site visits to two field offices, three of the sixteen capital assets selected for observation were not properly tagged with a state property tag.

Recommendation – The Department should review capital asset policies and procedures to ensure accurate and current records are maintained. This includes ensuring capital asset additions are reconciled to capital expenditures and all assets are properly accounted for, included on the capital asset listing and tagged with a state property tag.

Response – Iowa Workforce Development (IWD) will review asset policies and procedures, make any needed revisions and provide additional instructions and guidance to employees who are responsible for maintaining IWD capital asset records. In addition, steps will be implemented to ensure IWD capital asset records are reconciled with I/3 capital asset records.

Conclusion – Response accepted.

- (2) Financial Reporting – The Department records receipts and disbursements on the 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. Findings are noted below:
  - (a) The balance of the Washington Trust Fund was inadvertently omitted from the Cash and Investments page of the GAAP package. This balance was identified and included by DAS - SAE.
  - (b) Revenues for fiscal year 2008 totaling \$4,214,831 were not originally reported on the Unearned Revenue page of the GAAP package as required. A revision was submitted to DAS - SAE.
  - (c) Various smaller errors were also noted on other pages of the GAAP package.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2007

Recommendation – The GAAP Package should be accurately completed and reviewed by management prior to submission.

Response – Now that IWD has been made aware of the reporting errors, management will ensure the report is carefully reviewed with the portions of the report that contained errors receiving extra scrutiny and review with the State Auditor’s office prior to submission.

Conclusion – Response accepted.

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**Other Findings Related to Internal Control:**

- (1) Background Investigations – The Department hires employees for various positions, including positions which are sensitive in nature; i.e. information technology staff, individuals with access to cash, etc. The Department's hiring procedures should include background investigations consistent with the sensitivity of the position.

Background investigations are not being 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 – The Iowa Workforce Development personnel officer will work with the Iowa Departments of Administrative Services and Public Safety to determine a process for conducting the investigations as well as establishing the positions for which the investigations will be performed.

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.

Twenty-two of the twenty-five contracts tested were not signed by all parties prior to the contracted service starting date.

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

Response – IWD will make every attempt to obtain all the required signatures prior to the start date of contracts. However, there may continue to be exceptions in the event that providing the service dictates that waiting for signatures would be detrimental to the completion of a project, result in an interruption of services or in other situations resulting from circumstances that are outside the control of IWD.

Conclusion – Response accepted.

- (2) Iowa Code Compliance – The following compliance items were note for fiscal year 2007.

- (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.

Currently this program and the account are inactive.

Report of Recommendations to the Iowa Department of Workforce Development

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- (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.

Currently this program is 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.

Currently this program is inactive.

- (d) Workers' Compensation Scheme of Compensation – Chapters 87.5, 87.6 and 87.7 set up rules allowing employers, subject to approval of the workers' compensation commissioner, to enter into an agreement with workers to provide a scheme of compensation, benefit or insurance in lieu of compensation and insurance. Approval from the Commissioner is to be in the form of a certificate.

Per a discussion with the Commissioner, no such schemes have been made or approved.

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 work to seek the repeal of these outdated Code sections.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Workforce Development

June 30, 2007

**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:

Michelle L. Harris, Senior Auditor  
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