



OFFICE OF AUDITOR OF STATE
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NEWS RELEASE

FOR RELEASE _____ July 11, 2008

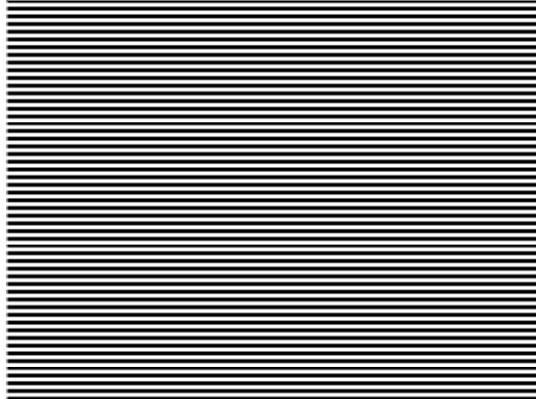
Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Public Defense for the year ended June 30, 2007.

The Iowa Department of Public Defense is composed of the Military Division and the Homeland Security and Emergency Management Division. The main responsibilities of the Military Division are to protect the citizens of the state, recruit and train military personnel and maintain the National Guard armories throughout the state. The Homeland Security and Emergency Management Division is responsible for disaster preparedness and relief coordination throughout the state.

A copy of the report is available for review at the Iowa Department of Public Defense, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF PUBLIC DEFENSE**

JUNE 30, 2007

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



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July 7, 2008

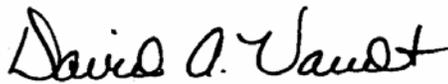
To Major General Ron Dardis, Adjutant General
of the Iowa Department of Public Defense:

The Iowa Department of Public Defense is 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, as well as recommendations pertaining to the Department's internal control and statutory requirements. 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 Iowa Department of Public Defense, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Defense 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 8 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
Charles J. Krogmeier, Director, Department of Management
Timothy C. Faller, Interim Director, Legislative Services Agency

June 30, 2007

Findings Reported in the State's Single Audit Report:

CFDA Number: 97.004 – State Domestic Preparedness Equipment Support Program
Agency Number: 066591, 066898, 074207
Federal Award Year: 2003, 2004
**Iowa Department of Public Defense – Iowa Homeland Security and Emergency
Management Division**

State of Iowa Single Audit Comment: 07-III-DHS-583-2

Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. Effective cash management procedures also minimize the amount of state funds which must be used to operate the program until the federal funds are received.

As part of its cash management procedures, the Iowa Homeland Security and Emergency Management Division accumulates reimbursable costs for each federal program on a spreadsheet. These spreadsheets are to support requests for reimbursement for federal programs and are attached to a summary spreadsheet or cash receipt.

A review of the Department's ledgers and cash management system identified three instances where the cash balance was in excess of \$100,000 for three to seventy-three days.

Recommendation – The Department should 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.

Response and Corrective Action Planned – Effective September 2005, the State Fiscal Office (SFO) has been using an automated billing system within Filepro. This system allows the drawing of federal funds only after a payment voucher has been entered into the system. The funds in question were drawn before the implementation of the use of this system and since the excess funds have been returned, cash balances should not exceed the allowable level.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2007

CFDA Number: 97.004 – State Domestic Preparedness Equipment Support Program
Agency Number: 066591, 066898, 074207
Federal Award Year: 2003, 2004
Iowa Department of Public Defense – Iowa Homeland Security and Emergency Management Division

CFDA Number: 97.067 – Homeland Security Grant Program
Agency Number: 80628, 88857
Federal Award Year: 2005, 2006
Iowa Department of Public Defense – Iowa Homeland Security and Emergency Management Division

State of Iowa Single Audit Comment: 07-III-DHS-583-3

Subrecipient Monitoring – 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 receipt of the subrecipient's audit report and ensure subrecipients take timely and appropriate corrective action. The Department has established a policy to perform timely reviews of the audit reports within six months of receipt.

There are no procedures in place to ensure all entities expending \$500,000 or more in federal awards are submitting audit reports for review by the Department. The Department has not developed policies and procedures to ensure the audit reports received contain all of the required elements. In addition, there is no documentation of follow-up of subrecipient audit findings.

Recommendation – The Department should establish policies and procedures to ensure subrecipient audit reports are being received and reviewed to determine they contain the required elements. The Department should maintain documentation of subrecipient audit findings noted during its review.

Response and Corrective Action Planned – The State Fiscal Office (SFO) has received guidance from the Auditor of State Office regarding the required elements of an audit report. These requirements have been incorporated into the monitoring procedures used by the SFO as of February 15, 2008. Any audit reports received after this date will be reviewed for the required elements as set forth in the provided guidelines and documentation of audit findings will be maintained.

Iowa Homeland Security Emergency Management Division (HSEMD) has always had procedures in place for providing written notification informing the subrecipient of the requirements of the single audit for expending \$500,000 or more in federal funds during the fiscal year. HSEMD, or any other state agency for that matter, does not have the ability to determine the total federal funds expended other than the funding awarded by that agency. HSEMD tracks the federal funds awarded by our agency, for all grants that we administer, by subrecipient. HSEMD and the SFO will work on procedures for obtaining the required audit reports from subrecipients that have received \$500,000 or more in federal funds from our agency.

Conclusion – Response accepted.

June 30, 2007

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

No matters were noted.

Other Findings Related to 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. The Department reports capital assets to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS – SAE) on a GAAP Package for inclusion in the Statewide Comprehensive Annual Financial Report (CAFR). The following were noted:
 - (a) Equipment reported on the Department's GAAP package for the Military Division did not reconcile to the detailed equipment listings maintained by the Department. This resulted in a \$99,989 understatement of equipment reported on the Department's GAAP package.
 - (b) Eight equipment additions for \$241,961 were not included on the capital asset listing or reported on the GAAP package.

Recommendation – The Department should develop written procedures to ensure a detailed, up-to-date capital asset listing is maintained. Procedures should include, but not be limited to, ensuring capital asset additions are reconciled to I/3 asset purchases and reconciling amounts reported on the GAAP package to detailed capital asset listings.

Response – The Department is developing a written policy regarding capital assets. I/3 capital asset addition activities are reconciled on a monthly basis to FilePro, the in-house accounting system for both Military and HLSEM. The FilePro database is reconciled to the GAAP package quarterly, starting March 31, 2008.

Conclusion – Response accepted.

- (2) Deferred Revenue – The Department did not report \$125,425 of deferred revenue on the GAAP Package.

Recommendation – The GAAP Package should accurately report the Department's deferred revenue.

Response – The Department will ensure deferred revenue is accurately calculated and reported on the GAAP package each fiscal year.

Conclusion – Response accepted.

- (3) Purchasing Cards – The Purchasing Card is a MasterCard credit card issued by Commerce Bank to the State of Iowa. The purpose of the Purchasing Card Program is to establish a faster, more cost-effective method for purchasing and payment. The Iowa Department of Administrative Services (DAS) implemented policies and procedures governing the program.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2007

The DAS Purchasing Card policy requires a cardholder to be an employee of the State of Iowa who is designated by their supervisor, and approved by the Agency Administrator, to utilize the Purchasing Card to purchase supplies and/or goods. The cardholder is subject to single transaction limitations and a monthly limit. Each purchase must be supported by a receipt or other supporting documentation. Cardholders may only hold one card. A card that does not have the cardholder's signature in the signature block is technically an invalid card.

The DAS Purchasing Card policy requires an Agency Administrator to be designated within the Agency for questions, issues and administration of the program. The Agency Administrator should keep an active and historical listing of all purchasing cards and limitations.

A review of purchasing card transactions identified the following:

Homeland Security and Emergency Management Division:

Six of twelve payments were paid more than 25 days after the statement date which is contrary to the terms of the agreement and resulted in assessment of late fees.

Military Division:

The Division does not have written policies and procedures regarding State Active Duty Emergencies.

Recommendation –

The Homeland Security and Emergency Management Division should establish procedures to ensure timely payment.

The Military Division should develop and implement written policies and procedures regarding increasing individual card limits during State Active Duty, including exceptions for certain charges. Card limits for State Active Duty should also be set.

Response –

Homeland Security and Emergency Management Division: The Department's Comptrollers office has taken over management of HSEMD's purchasing cards and has established procedures to ensure prompt payment of the credit card so no further late charges should be assessed.

Military Division: The Military Division has established written policies for increasing individual credit card limits. The purchasing cards used for State Active Duty will have established procedures for transaction and monthly limits by 30 September 2008. These cards has been established with exceptions for certain charges not normally allowed. These exceptions will be noted within the written procedures. Procedures for increasing credit card limits for State Active Duty credit cards are the same as for regular credit cards.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters

No matters were noted.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2007

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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Brett C. Conner, Assistant Auditor
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