



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

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NEWS RELEASE

FOR RELEASE

July 31, 2009

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Administrative Services for the year ended June 30, 2008.

The Iowa Department of Administrative Services is mandated by statute to provide services for other state agencies. To fulfill this responsibility, the Department is structured into the General Services Enterprise (GSE), the Information Technology Enterprise (ITE), the Human Resources Enterprise (HRE) and the State Accounting Enterprise (SAE).

Vaudt recommended the Department ensure a detailed, up-to-date capital asset listing is maintained along with establishing written policies and procedures. In addition, the Department should ensure the GAAP Package information reported is complete and accurate. The Department's responses are included in the report.

A copy of the report is available for review in the Iowa Department of Administrative Services, 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 ADMINISTRATIVE SERVICES**

JUNE 30, 2008

— Office of —
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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July 29, 2009

To Ray Walton, Director of the
Iowa Department of Administrative Services:

The Iowa Department of Administrative Services 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, 2008.

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 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.

The Iowa Department of Administrative Services' responses to the findings identified in our audits are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Administrative Services' 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 Administrative Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Administrative Services 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 9 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
Director, Department of Management
Glen Dickinson, Director, Legislative Services Agency

June 30, 2008

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

- (1) 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 were noted:
 - (a) The GAAP package contains information used to prepare journal entries for the financial statements. The following were noted:
 - (1) The Department understated the amount of unassigned vehicles inventory by \$169,243. This item was properly adjusted for reporting purposes.
 - (2) The Department understated the risk financing liability by \$39,782.
 - (b) The GAAP package also contains information used to prepare the notes to financial statements. The following were noted:
 - (1) The Department overstated the carrying amount of cash by \$723,320 and understated the bank balance by \$33,548. In addition, the amounts reported as funds insured by either the Federal Deposit Insurance Corporation or the State Sinking Fund were incorrect. These were properly adjusted for reporting purposes.
 - (2) The Department understated future minimum lease payments by \$952,580 and understated fiscal year 2008 rental expense by \$142,250. These were properly adjusted for reporting purposes.
 - (3) The Department understated the amount of construction commitments by \$43,300.

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

Response – As noted above, the Department had corrected most of the items listed above, and will implement processes to ensure these errors will be corrected for future audits.

Conclusion – Response accepted.

- (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) The Department did not perform a reconciliation of capital asset additions to I/3 system expenditures. One asset for \$21,536 purchased during the fiscal year was not added to the capital assets listing and one asset was added at an estimated amount and added again at an actual amount, resulting in an overstatement of asset additions of \$127,200.

Report of Recommendations to the Iowa Department of Administrative Services

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- (b) Accumulated depreciation and depreciation expense for buildings and building improvements was understated by \$32,381.
- (c) Depreciation expense could not be recalculated for nine of twenty-five assets due to manual adjustments made by the Department and assets coded incorrectly on the capital asset system.
- (d) In the prior year, assets were moved between an organization within the same fund. The Department reported these as additions and deletions. In the current year, \$539,016 was reported again as additions and \$332,051 was reported again as deletions, resulting in an overstatement of \$206,965 for the ending balance reported.
- (e) An incorrect adjustment erroneously reduced additions by \$10,747.
- (f) One asset was added twice and one asset relating to the prior year was added again in the current year, resulting in an overstatement of \$17,080.
- (g) The Department does not have written accounting procedures for the reconciliation of State Vehicle Dispatch records to the Department's capital asset listing and reconciliation of the Department's capital asset additions to I/3 asset purchases.
- (h) The loss on disposal of assets was overstated for the Governmental Funds and the Internal Service Funds by \$4,626 and \$482,236, respectively. This was properly adjusted for reporting purposes.

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 depreciation expense is properly calculated and recorded. Also, the Department should develop written procedures for the reconciliation of the State Vehicle Dispatch records to the Department's capital asset listing and the reconciliation of the Department's capital asset additions to I/3 asset purchases.

Response – The Department will take the appropriate steps to correct these issues for future audits.

Conclusion – Response accepted.

June 30, 2008

Other Findings Related to Internal Control:

- (1) Risk Financing – Vehicle Dispatch – The Department reports a liability for vehicle dispatch risk financing on the GAAP package, which relates to tort claims against the State of Iowa for personal injury and property damage caused by state vehicles. The written procedures for the risk financing claims liability calculation do not agree with the actual calculation performed.

Recommendation – The Department should revise the risk financing claims liability calculation to agree with the written procedures or revise the procedures to agree with the calculation performed.

Response – The Department has discussed this with the Risk Manager and the error will be corrected in the preparation of the fiscal year 2009 GAAP Package.

Conclusion – Response accepted.

- (2) Depreciation Ledger Reconciliation – The Department maintains a separate fund, Depreciation Revolving, which receives monthly depreciation payments from state agencies owning vehicles. A separate “depreciation ledger” is also maintained to track payments received and other activity/adjustments to the fund.

The Department reconciles I/3’s cash balance in the Depreciation Revolving Fund to its depreciation ledger. The reconciliation for June 2008 was not performed in a timely manner.

Recommendation – The Department should reconcile the I/3 cash balance in the Depreciation Revolving Fund to its depreciation ledger on a timely basis.

Response – The Department has developed and implemented a policy to reconcile the Depreciation Revolving Fund to the depreciation ledger on a quarterly basis effective July 1, 2009.

Conclusion – Response accepted.

- (3) Internal Allocation of Shared Services – The Department has developed numerous accounting and office procedures manuals. However, written procedures have not been completed for the internal allocation of shared services.

Recommendation – The Department should develop written procedures for the internal allocation of shared services.

Response – The Department will build upon the existing documentation to develop written procedures for the internal allocation of shared services before the close of fiscal year 2009.

Conclusion – Response accepted.

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Findings Related to Statutory Requirements and Other Matters:

- (1) Contracts – The Department procures goods and services in accordance with Iowa Administrative Code Chapters 105, 106 and 107 and the Iowa Department of Administrative Services – General Services Procurement Manual.

Of the twenty-five contracts for goods selected, the following were noted:

- Four contracts did not have documentation to demonstrate Targeted Small Businesses (TSB) were notified of the bid opportunity.
- One contract did not contain proper evidence of renewal documentation, including vendor satisfaction feedback, customer satisfaction feedback and market analysis.
- One contract exceeded the maximum term limit of three years.

One of ten contracts for services selected did not have documentation to demonstrate Targeted Small Businesses (TSB) were notified of the bid opportunity.

Recommendation – The Department should ensure TSB’s are notified of all applicable bid opportunities, contracts contain the proper evidence of renewal documentation and contracts do not exceed the maximum term limit of three years.

Response – The Department will review and improve processes to eliminate these types of errors through discussions with the purchasing staff by emphasizing policies, procedures and maintaining appropriate documentation for compliance.

Conclusion – Response accepted.

- (2) Compliance with the Code of Iowa – The Department was not in compliance with the following Chapters of the Code of Iowa during the year ended June 30, 2008:
- (a) Chapter 556.2C requires the Department, on or before July 1 of each year, to provide the Treasurer of State with a report of all unpaid outdated warrants which have been canceled and have not been previously reported to the office. This report has not been made available in a format readily useable by the Treasurer’s Unclaimed Property Division.
 - (b) If the Department encumbers funds from the previous fiscal year for employee training, technology enhancement and/or purchases from Iowa Prison Industries, Chapter 8.62 requires the Department to report to the Joint Appropriations Subcommittee, the Legislative Services Agency, the Department of Management and the Legislative Fiscal Committee how the moneys were expended. The Department was unable to determine if the report was completed and/or properly submitted.

Recommendation – The Department should comply with the Code of Iowa.

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Response -

- (a) The Department of Administrative Services - State Accounting Enterprise notifies the Treasurer of State each month about the outdated warrants for the month. This is the only notification that is done. We do have the information in paper form but the Treasurer of State wants the information in electronic format. This will be revisited after the warrant writing process is updated.
- (b) The Department has taken steps to ensure this report will be completed and properly submitted.

Conclusion - Response accepted.

Report of Recommendations to the Iowa Department of Administrative Services

June 30, 2008

Questions or requests for further assistance should be directed to:

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Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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