



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ August 18, 2011

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Office of Energy Independence for the year ended June 30, 2010.

The Iowa Office of Energy Independence (OEI) sets the strategic direction for Iowa's clean energy future by identifying goals to achieve desired results. The Office will align state government efforts for achieving energy independence through partnerships with business and industry, community leaders, government and public agencies and other stakeholders.

A copy of the report is available for review at the Iowa Office of Energy Independence, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1160-3010-BR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA OFFICE OF ENERGY INDEPENDENCE**

JUNE 30, 2010

— Office of —
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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August 12, 2011

To Debi Durham, Director of the
Iowa Office of Energy Independence:

The Iowa Office of Energy Independence 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, 2010.

In conducting our audits, we became aware of certain aspects concerning the Office'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 pertaining to the Office's internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with Office personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Office's responses, we did not audit the Iowa Office of Energy Independence'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 Iowa Office of Energy Independence, citizens of the State of Iowa and other parties to whom the Office 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 during the course of our audit. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Office are listed on page 6 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 Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2010

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

- (1) Financial Reporting – The Office 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.

A \$725,000 note receivable associated with the Building Energy Management Fund was not originally reported on the Office's GAAP package. This was properly adjusted for reporting purposes.

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

Response – The Office will implement sufficient procedures to accurately reflect receivables on the GAAP package.

Conclusion – Responses accepted.

- (2) Cash Management – The amount requested for reimbursement for federal programs should be supported by a listing of reimbursable expenditures incurred since the last request. For two of eight federal requests for reimbursement tested, the support was significantly less than the amount requested.

Recommendation – The Office should review its procedures to ensure federal requests for reimbursement are based on supporting documentation.

Response – The Office will further develop and implement sufficient procedures over federal reimbursement requests to include documentation to support the draw down.

Conclusion – Response accepted.

- (3) Payroll Allocation – The Office is responsible for various state and federal programs where payroll costs are allocated to the various programs. Office of Management and Budget (OMB) Circular A-87 states employees who work on multiple programs will distribute their time based on actual activity. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support. However, estimates can be used if the system for estimates reasonably approximate actual, at least quarterly, comparisons are made to actual based on activity reports with adjustments made as necessary and budget estimates are revised quarterly as necessary. Our review of the payroll allocation process identified the following:

- Payroll distribution percentages were set at the beginning of the year, but were not reviewed quarterly and changed as necessary.

Report of Recommendations to the Iowa Office of Energy Independence

June 30, 2010

- Payroll was distributed based on the employee's base unit for several pay periods during the fiscal year while the remainder of the fiscal year was allocated using the payroll distribution percentages developed.
- The Office attempted to adjust certain pay period payroll costs to actual. However, errors were made in calculations performed and activity codes used.

Recommendation – The Office should develop policies and procedures to ensure payroll is properly allocated to federal programs in compliance with OMB Circular A-87.

Response – The Office will review its procedures on payroll distribution and implement a system of charging time based on actual activity in order to be in compliance with OMB Circular A-87.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

Employee Performance Evaluations – The Iowa Department of Administrative Services (DAS) Administrative Rule 11-62.2(2) requires each employee to receive a performance evaluation every 12 months and Administrative Rule 11-53.7(2)a requires non-contract employees to have a current evaluation prior to a pay raise. In addition, the State of Iowa Employee Handbook, pages 2 and 4, requires probationary employees receive one or more performance reviews prior to the end of their first six months of employment and permanent employees will receive job performance reviews at least once per year.

During our review, we noted:

- A current evaluation prior to a pay raise could not be located for one of five employees tested who received pay raises.
- A probationary period performance evaluation could not be located for two of five probationary employees tested.
- For eight permanent employees tested, a performance evaluation completed within the last year could not be located for one employee and no evaluation was in the file for four employees.

Recommendation – The Office should develop policies and procedures to ensure probationary employees receive at least one performance evaluation within their first six months of employment and permanent employees receive a performance evaluation every 12 months as required by DAS Administrative Rules and the State of Iowa Employee Handbook.

Response – The Office will implement systems to mandate all employees receive a performance evaluation in accordance with DAS rules.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Office of Energy Independence

June 30, 2010

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, 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:

Tiffany M. Ainger, Staff Auditor
Ainslee M. Barnes, CPA, Staff Auditor
Brett C. Conner, Staff Auditor
Gelu Sherpa, Staff Auditor
Nicole R. Williams, Assistant Auditor