



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 25, 2012

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Administrative Services for the year ended June 30, 2011.

The Iowa Department of Administrative Services is mandated by statute to provide services to 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 to the recommendations 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/1260-0050-BR00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF ADMINISTRATIVE SERVICES**

JUNE 30, 2011

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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July 19, 2012

To Mike Carroll, 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, 2011.

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 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. 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 7 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, 2011

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 in the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded in 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 Department overstated future minimum rental payments for operating leases by \$958,356.
 - (b) The Department overstated rental expense for operating leases by \$8,506.
 - (c) The Department understated accounts receivable by \$29,165. This was properly adjusted for reporting purposes.

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

Response – The Department acknowledges the errors noted in (a) and (b) related to Information Technology Enterprise (ITE) leases. These are due to transitioning the responsibility to new staff and not having in place adequate time to review both hard copies and electronic spreadsheets used to track and calculate the reportable amounts.

The Department acknowledges the error noted in item (c) related to outstanding Code of Iowa section 29C.20 reimbursements. Again, this was due to transitioning the responsibility to new staff.

To prevent these issues from re-occurring, we will discuss the comments with the Finance staff. We are also going to move up all deadlines for GAAP package information, where possible, to allow for adequate review time and GAAP package assignments will be re-distributed.

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) Buildings and building improvements were overstated by \$271,702 due to improperly including expenses which should not have been be capitalized.
 - (b) Assets valued at \$16,218 were not added, resulting in an understatement of the GAAP package additions.
 - (c) Accumulated depreciation for buildings was understated by \$106,739 due to a formula error. This was properly adjusted for reporting purposes.

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June 30, 2011

- (d) Accumulated depreciation for equipment and land improvements was overstated by \$73,377 and \$4,496, respectively.
- (e) Equipment with an original cost of \$36,019 and accumulated depreciation of \$32,417 was sold during the year but was not deleted from the capital asset listing. The resulting loss of \$3,100 was not reported.

Recommendation – The Department should ensure a detailed, up-to-date capital asset listing is maintained. Capital assets, accumulated depreciation and gain or loss on disposal of assets should be properly calculated and recorded.

Response – The Department acknowledges the errors noted in items (a) and (b) and will initiate the steps noted below in fiscal year 2012.

The Department acknowledges the errors noted in items (c) and (d). Errors were made as a result of changing final numbers from formula to hardcoded. However, additional changes were made and then not reflected in final numbers. Other errors were due to miss-reading negative amounts as positives and also failing to have a check formula in place to prevent excess accumulated depreciation from being calculated.

For item (e), the asset was sold and was not removed from the capital asset system. We will research why the appropriate process was not followed for this assets disposal and implement corrective action to reduce the chances of this happening again.

To prevent these issues from re-occurring, we will discuss the comments with the Finance staff. We are going to move up all deadlines for GAAP information, where possible, to allow for adequate review time and GAAP package assignments will be re-distributed.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

- (1) Compliance with the Code of Iowa – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2011:
 - (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) Chapter 8A.123(5b) requires the Department, on or before October 1 of each year, to provide the General Assembly with a report of the activities funded by and the expenditures made from Internal Service Funds. This report was submitted February 10, 2012.
 - (c) Chapter 8A.362(4c) requires the Department, on or before June 15 of each year, to report compliance with the corporate average fuel economy standards published by the United States Secretary of Transportation. A copy of this report is to be delivered to the Director of the Iowa Department of Natural Resources. This report was submitted June 21, 2011.

Report of Recommendations to the Iowa Department of Administrative Services

June 30, 2011

- (d) Chapter 7A.3 requires the Department to submit a biennial report to the Governor in each even numbered year. In addition, in each odd numbered year, the Department must file a summary report relating to its operations for the preceding fiscal year. A report was not submitted for the year ended June 30, 2011.

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

Response –

- (a) The Department does not have unclaimed property which is reported to the Treasurer of State's Office. However, we do have outdated warrants. On a monthly basis we receive a paper report listing all outdated warrants, which we maintain internally. DAS-SAE has offered to provide a copy of this report to the Treasurer of State's Office. However, they would prefer an electronic version. At this time we are unable to provide the information electronically and are working on a different process which we hope will meet their request.
- (b-d) Due to reorganization of several areas of the Department, including staff previously responsible for the creation and submission of an annual report, the Department inadvertently failed to complete this report. The Department appreciates the Auditor of State's comments and has assigned one individual the responsibility of coordinating and submitting all reports in a timely and accurate manner.

Conclusion – Response accepted.

- (2) 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-four contracts for goods selected for testing, three contracts exceeded the maximum term limit of three years.

Of the seventeen contracts for services selected for testing, two contracts exceeded the maximum term limit of six years.

Recommendation – The Department should ensure contracts do not exceed the maximum term limits.

Response – The Department acknowledges the comment on both goods and services contract renewal options. All current purchasing agents have attended a two-day Services Contracting class. The Services Contracting class includes sections on goods, authorities and contract limits. The information is also discussed in the monthly purchasing staff meetings.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Administrative Services

June 30, 2011

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Jennifer L. Wall, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Alison P. Herold, CPA, Senior Auditor
Samantha J. Brincks, CPA, Staff Auditor
Brooke A. Lytle, Staff Auditor
Jessica N. Meierotto, Staff Auditor
Justin M. Scherman, Staff Auditor
Marta M. Sobieszkoda, Staff Auditor
Dorothy O. Stover, Staff Auditor
Adam B. Bartz, Assistant Auditor
Michael T. Bunkers, Assistant Auditor
Hannah K. Haas, Assistant Auditor
Cory A. Lee, Assistant Auditor
Ann C. McMinimee, Assistant Auditor
Daniel J. Mikels, Assistant Auditor
Jamie T. Reuter, Assistant Auditor
Nicole L. Wilson, Assistant Auditor
Justin A. Youngberg, Assistant Auditor
Matthew R. DeJong, Auditor Intern