



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

July 9, 2012

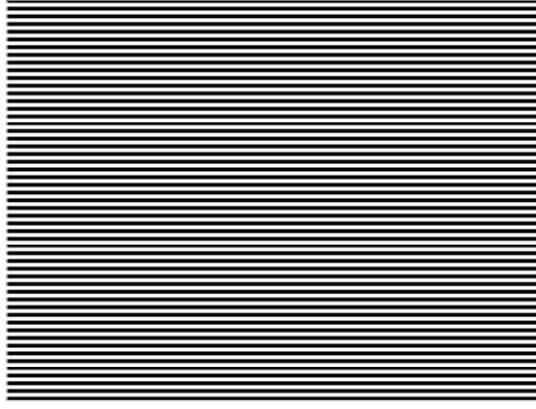
Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Braille and Sight Saving School, Vinton, Iowa, for the year ended June 30, 2011.

The School is governed by the Board of Regents, State of Iowa and provides residential and day school educational programs for visually impaired youth, as well as a variety of resource services for mainstreamed students. For the year ended June 30, 2011, the average enrollment was 5 students and the average cost per student was \$416,765, compared to an average enrollment of 9 students and an average cost per student of \$253,707 for the prior year. During the year ended June 30, 2011, the School provided outreach services to 534 students compared to 453 students in the year ended June 30, 2010.

A copy of the report is available for review at the Iowa Braille and Sight Saving School, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1261-8040-BR00.pdf>.

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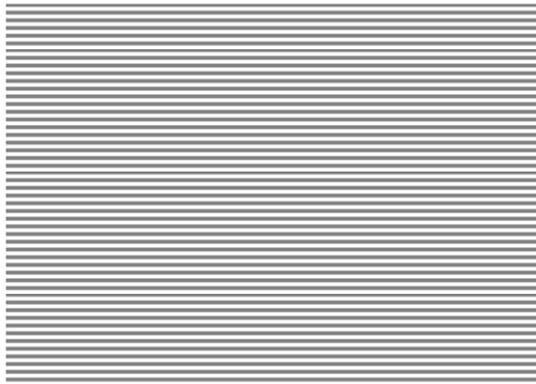
**REPORT OF RECOMMENDATIONS TO THE
IOWA BRAILLE AND SIGHT SAVING SCHOOL**

JUNE 30, 2011

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



David A. Vaudt, CPA
Auditor of State





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June 29, 2012

To the Members of the Board of Regents,
State of Iowa:

The Iowa Braille and Sight Saving School 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.

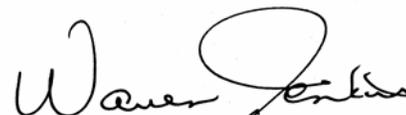
In conducting our audits, we became aware of certain aspects concerning the School's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which include recommendations pertaining to the School's internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with School personnel and their responses to the recommendations are included in this report. While we have expressed our conclusions on the School's responses, we did not audit the Iowa Braille and Sight Saving School's responses and, accordingly, we express no opinion on them.

Also, we have included certain unaudited financial and other information on page 10 of this report to report an average cost per student for the School for the five years ended June 30, 2011, as required by Chapter 11.28 of the Code of Iowa.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Braille and Sight Saving School, citizens of the State of Iowa and other parties to whom the Iowa Braille and Sight Saving School 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 Iowa Braille and Sight Saving School during the course of our audits. Should you have any 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 Iowa Braille and Sight Saving School 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 Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

Report of Recommendations to the
Iowa Braille and Sight Saving School
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:

No matters were noted.

Other Findings Related to Internal Control:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The following areas were noted where there is inadequate segregation of duties:
- (1) Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording and accounting for receipts.
 - (2) Responsibilities for disbursement preparation are not segregated from those for recording cash disbursements.
 - (3) Responsibilities for check signing are not segregated from those for reconciling cash.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the School should review its control activities to obtain the maximum internal control possible under the circumstances.

Response –

- (1) IBSSS will implement a procedure to have the Account Specialist review and initial all deposits prepared by the Account Clerk.
- (2) Accounts payable disbursements are approved (signed and dated) by the Director of Business Operations. In addition, a check sequence log is kept and initialed by the Director of Business Operations on a weekly basis. Regarding payroll disbursements, bi-weekly timesheets are viewed and signed off on by the Director of Human Resources.
- (3) The Director of Business Operations will review and initial the monthly cash reconciliation prepared by the Account Specialist. The IBSSS will investigate procedures to strengthen this segregation of duties weakness.

Conclusion – Response accepted.

- (B) General Ledger System – The following regarding the School's general ledger accounting system were noted:
- (1) The general ledger accounting system does not carry forward fiscal year beginning or ending balances for balance sheet accounts until the fiscal year is closed. Accordingly, the system does not report a balance until the books are closed. While the balance can be calculated by taking the prior ending balance and adding monthly activity, this process is cumbersome and time consuming and there is no assurance prior year ending balances are

Report of Recommendations to the
Iowa Braille and Sight Saving School

June 30, 2011

properly carried forward to ensure the calculation is accurate. At the time the GAAP package information was submitted, the general ledger had not been closed.

- (2) To perform the monthly bank reconciliation, a report showing “cash per the checkbook” is printed from the system and used to reconcile the book balance to the bank balance. However, “cash per the checkbook” cannot be verified against the cash per the general ledger for the reason noted above. We determined printouts showing transactions clearing the checkbook and transactions not clearing the checkbook are available. However, per discussion with School personnel, it is possible for “cash per the checkbook” to not agree with cash per the general ledger because journal entries posted to the general ledger are not reflected in the “checkbook balance” on the system. During fiscal year 2011, the independent review of the monthly bank reconciliations did not include review of the printouts supporting outstanding checkbook items.
- (3) Outstanding checks totaling \$488,701 were not carried forward during the School’s conversion to new accounting software. Accordingly, cash per the system is overstated by this amount. Per discussion with School personnel, they are unsure how to correct this in the system, so the variance remains and is carried forward each month as a reconciling item.
- (4) The School reports General, Special Revenue, Private Purpose Trust and Agency Funds. However, entries to the general ledger accounting system are made only to the General Fund cash account. As a result, cash balances of each of the other three funds do not change even though activity occurs in these funds monthly.
- (5) The School uses the information recorded in the general ledger accounting system to report financial information to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) on a GAAP Package which is used to prepare the financial statements for the State of Iowa. The conditions noted above resulted in the School making numerous adjustments to the first draft of the GAAP Package based on audit findings, including:
 - (a) Reduction of reported cash and investments and unreserved fund equity in the General Fund of \$488,701 due to an overstatement of cash which occurred when outstanding checks were not carried forward to the new accounting system in fiscal year 2010. A correcting journal entry was made in the general ledger after submission of the GAAP Package.
 - (b) Reduction of accounts receivable and sales and services revenue in the General Fund for \$214,890 for receivables reported as both accounts receivable and due from state agencies in the GAAP Package.
 - (c) Reclassification of a \$1,200,000 interfund transfer originally recorded in the Special Revenue Fund as “realized investment income” and in the General Fund as “education expenditures” rather than “transfers in” and “transfers out”.

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- (6) Because the general ledger had not been closed at the time the GAAP package was submitted, the following conditions remained undetected until after the general ledger was closed:
- (a) General Fund cash was overstated and Agency Fund cash was understated by \$10,177.
 - (b) When the fiscal year 2011 general ledger was closed, closing entries were made directly to fund balance rather than being posted against revenues and expenditures, resulting in the general ledger not directly supporting the GAAP Package.
 - (c) After closing the general ledger for fiscal 2011, the general ledger debits and credits did not agree by \$290.
 - (d) In kind support revenue of \$2,493 was not recorded in the general ledger.
 - (e) The entry to reverse the receivables and revenue overstated as a result of the error noted in item (5)(b) above resulted in a decrease (debit) to “investment income” rather than “sales and services revenue”.

Recommendation – The general ledger accounting system should be reviewed to determine whether the system meets the accounting needs of the School. School personnel may also need additional training to ensure they understand how to properly use the system.

Response –

- (1) IBSSS has worked with the Microsoft Great Plains Dynamic software vendor to better understand the software’s fiscal year end closing process. IBSSS will close the current year prior to the submission of the GAAP package.
- (2) IBSSS has worked with the Microsoft Great Plains Dynamics software vendor to better understand the software’s bank reconciliation process. Reviews of the printouts showing transactions clearing the checkbook and transactions not clearing the checkbook are performed by the Director of Business Operations during the final review and sign off of the monthly cash reconciliation.
- (3) IBSSS has worked with the Microsoft Great Plains Dynamics software vendor to better understand the software’s bank reconciliation process. The entry to correct the \$488,701 error was made before the final fiscal year 2011 general ledger was closed.
- (4) IBSSS has worked with the Microsoft Great Plains Dynamics software vendor to better understand the software’s fiscal year end closing process. The software vendor noted activity for all the cash accounts can be reconciled from the cash operating account and an interfund entry made to correct the cash accounts activity.
- (5) The Director of Business Operations will implement a general ledger to GAAP package reconciliation process to ensure no material alteration to the first draft of the GAAP package in future years.
- (6) IBSSS has worked with the Microsoft Great Plains Dynamic software vendor to better understand the software’s fiscal year end closing process. IBSSS will close the current year prior to the submission of the GAAP package.

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Conclusion – Responses (1), (2), (3), (5) and (6) accepted. Response (4) acknowledged. The School should continue to review the general ledger accounting system, including whether the system meets the School's needs for maintaining and reporting activity by fund. Recording monthly interfund entries to correctly report activity by fund is cumbersome, increases the likelihood of errors and would not be necessary if the general ledger accounting system performed that function.

- (C) Bank Reconciliation – A reconciliation of bank to book balances for June 30, 2011 was not performed timely.

Recommendation – The School should establish procedures to ensure monthly bank to book reconciliations are performed monthly and variances are resolved timely.

Response – IBSSS has worked with the Microsoft Great Plains Dynamic software vendor to better understand the software's closing and bank reconciliation process. The monthly bank statements have reconciled to the balance sheet cash balance for the first ten months of fiscal year 2012.

Conclusion – Response accepted.

- (D) Data Processing System – The School does not have a written policy requiring passwords be changed at least every 60-90 days. In addition, the School does not have a written disaster recovery plan.

Recommendation – The School should develop a written policy requiring passwords be changed more timely. A written disaster recovery plan should be developed. At a minimum, the plan should identify computer equipment needed for temporary processing and paper supplies, such as checks, warrants, purchase orders, etc., which should be located off-site. Additionally, copies of user documentation and the disaster recovery plan itself should be maintained at an off-site location.

Response – The automatic Windows user password change occurs every 180 days. This will be changed to 90 days. Regarding the Great Plains Dynamics user password, there is not an automatic login password notice. IBSSS will implement a procedure to have the Great Plains Dynamics users passwords changed every 90 days. IBSSS does have an Accounting System Safeguards policy. The policy was adopted in 1996 and needs updating. The Superintendent, Director of Business Operations and Information Technology Specialist will update the policy. The policy then will be reviewed and approved by the IBSSS Cabinet.

Conclusion – Response accepted.

- (E) Credit Card Policy – The School has a credit card and several store charge accounts for use by employees to purchase items for the School. The School has not adopted a formal policy to regulate the use of the credit card and store charge accounts.

Recommendation – The School should adopt a formal written policy regulating the use of the School credit card and store charge accounts. The policy should, at a minimum, address who controls the credit card, who is authorized to use the credit card and store charge accounts, for what purposes the credit card and store charge accounts can be used and the supporting documentation required to substantiate charges.

Response – IBSSS will modify the draft of the credit card policy to include store charge accounts in fiscal year 2012. The policy will then be reviewed and approved by the IBSSS Cabinet in fiscal year 2012.

Conclusion – Response accepted.

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Finding Related to Statutory Requirements and Other Matters:

- (1) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows entities to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The School does not obtain an image of the back of each cancelled check.

Recommendation – The School should obtain and retain an image of both the front and back of each cancelled check as required by the Code of Iowa.

Response – The electronic format which provided compliance with Chapter 554D.114 of the Code of Iowa was reinstated in fiscal year 2012.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Braille and Sight Saving School
June 30, 2011

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Manager
Jenny M. Podrebarac, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Gwen D. Fangman, CPA, Senior Auditor II
Tyler L. Carter, Staff Auditor
Hannah K. Haas, Assistant Auditor

Iowa Braille and Sight Saving School

Average Cost per Student

(Unaudited)

Year ended June 30, 2011

with comparative figures for the four preceding years

Year	Average Number of		Total Expenditures	Average Cost Per Student *
	Students	Employees		
2011	5	106	\$ 2,083,825	416,765 **
2010	9	107	2,283,363	253,707 **
2009	12	95	2,765,184	230,432 **
2008	17	95	2,963,950	174,350 **
2007	26	112	4,285,112	164,812 **

* The average cost per student excludes expenditures for outreach services. For fiscal years 2011, 2010, 2009, 2008 and 2007, the School provided outreach services to 534, 453, 405, 398 and 497 students, respectively. For the fiscal years ended June 30, 2011 and 2010, the average cost for outreach services per student was \$11,711 and \$13,424, respectively.

** For fiscal years 2011, 2010, 2009, 2008 and 2007, capital outlay for construction in progress totaling \$316,308, \$2,266,060, \$204,627, \$993,492 and \$577,106, respectively, paid by the Iowa Braille and Sight Saving School were removed from costs for purposes of this computation.