



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Marry Mosiman, 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 21, 2014

Contact: Andy Nielsen
515/281-5834

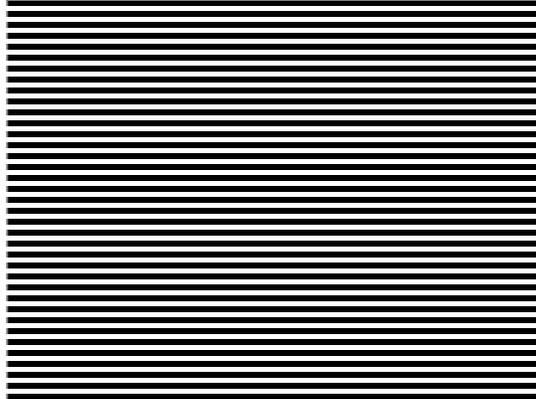
Auditor of State Mary Mosiman today released a report on the Iowa Department of Inspections and Appeals for the year ended June 30, 2013.

The Iowa Department of Inspections and Appeals was created for the purpose of coordinating and conducting audits, appeals, hearings, inspections and investigations related to the operations of Iowa state government. The Department also provides administrative support services for the Employment Appeal Board, Hospital Licensing Board, Child Advocacy Board, State Public Defender and the Iowa Racing and Gaming Commission.

Mosiman recommended the Department improve controls over federal cash management, reporting and payroll distribution. The Department responded corrective action is being implemented.

A copy of the report is available for review in the Iowa Department of Inspections and Appeals, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1460-4270-0R00.pdf>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF INSPECTIONS AND APPEALS**

JUNE 30, 2013

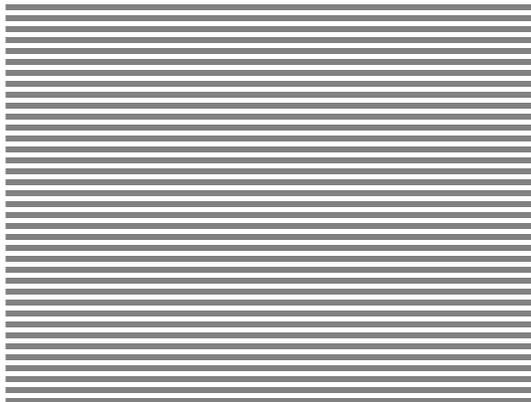
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July 16, 2014

To Rodney A. Roberts, Director of the
Iowa Department of Inspections and Appeals:

The Iowa Department of Inspections and Appeals 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, 2013.

In conducting our audit, 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 and the State's Report on Internal Control, as well as other recommendations pertaining to the Department's internal control. 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 Inspections and Appeals' 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 Inspections and Appeals, citizens of the State of Iowa and other parties to whom the Department 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 11 and they are available to discuss these matters with you.


MARY MOSIMAN, 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, 2013

Findings Reported in the State's Single Audit Report:

CFDA Number: 93.775 – State Medicaid Fraud Control Units

Agency Number: None

Federal Award Year: 2012, 2013

State of Iowa Single Audit Report Comment: 13-III-HHS-427-12

- (1) Cash Management – Department procedures state drawdowns are performed bi-weekly and monthly. Bi-weekly estimates are based on prior fiscal year's information to help ensure the Department is not over billing. Using the bi-weekly estimates, drawdowns are made from the U.S. Department of Health and Human Services. Using actual costs, monthly drawdowns are made drawing down the remaining amount of funds owed.

The following items were noted:

- (a) Three instances where estimated drawdowns were not requested timely.
- (b) Three instances where final monthly drawdowns were not requested timely.
- (c) Two instances where estimated drawdowns were not performed.

Recommendation – The Department should review its procedures to ensure drawdowns are performed timely.

Response and Corrective Action Planned – The Department acknowledges some requests for federal funds were not submitted on a timely basis. Cash Management procedures are in place for this process. In order to ensure requests for federal funds are submitted timely, the Department will train an additional employee to serve as a backup. This will allow for drawdowns to be performed timely by either individual during peak activity, such as the summer months when two state fiscal years are open and top priority must be placed on reconciling and drawing funds for the year just ending. The Department will implement this with the first quarter of fiscal year 2015.

Conclusion – Response accepted.

June 30, 2013

CFDA Number: 93.777 – State Survey and Certification of Health Care Providers and Suppliers (Title XXVIII) Medicare

Agency Number: None

Federal Award Year: 2012, 2013

State of Iowa Single Audit Report Comment: 13-III-HHS-427-13

- (2) Cash Management – Department procedures state drawdowns are performed bi-weekly and monthly. Bi-weekly estimates are based on prior fiscal year's information to help ensure the Department is not over billing. Using the bi-weekly estimates, drawdowns are made from the U.S. Department of Health and Human Services. Using actual costs, monthly drawdowns are made drawing down the remaining amount of funds owed.

The following were noted for Title XVIII, Medicare:

- (a) Three instances where estimated drawdowns were not requested timely.
- (b) Two instances where final monthly drawdowns were not requested timely.
- (c) Two instances where estimated drawdowns were not performed.
- (d) One instance where the final monthly drawdown was not performed.

The following were noted for Title XIX, Medicaid:

- (a) Two instances where estimated drawdowns were not requested timely.
- (b) One instance where a final monthly drawdown was not requested timely.
- (c) Seven instances where estimated drawdowns were not performed.

Recommendation – The Department should review its procedures to ensure drawdowns are performed timely.

Response and Corrective Action Planned – The Department acknowledges some requests for federal funds were not submitted on a timely basis. Cash Management procedures are in place for this process. In order to ensure requests for federal funds are submitted timely, the Department will train an additional employee to serve as a backup. This will allow for drawdowns to be performed timely by either individual during peak activity, such as the summer months when two state fiscal years are open and top priority must be placed on reconciling and drawing funds for the year just ending. The Department will implement this with the first quarter of fiscal year 2015.

Conclusion – Response accepted.

June 30, 2013

CFDA Number: 93.777 – State Survey and Certification of Health Care Providers and Suppliers (Title XXVIII) Medicare

Agency Number: None

Federal Award Year: 2012, 2013

State of Iowa Single Audit Report Comment: 13-III-HHS-427-14

- (3) Payroll Distribution – The Department prepares a Health Facilities Time Allocation report each pay period based on timesheets completed by employees. These allocations are subsequently summarized by activity code on a Health Facilities Allocation of Salaries and FTE report which determines the percentage of time spent on various federal programs. These percentages are used to allocate payroll and other monthly expenditures from the Integrated Information for Iowa (I/3) system to the programs. Each quarter, the applicable monthly reports are compiled to prepare the quarterly report due to the Federal government.

Surveyors are to record their time to various activity codes depending on the type of facility visited. During federal fiscal year 2012 and federal fiscal year 2013, the surveys for dually certified nursing facilities were not properly allocated to the correct activity codes. The amount of time improperly allocated between Title XVIII, Title XIX and the State is unknown.

For the pay period ended February 14, 2013, 96 timesheets of the Health Facilities Division were selected for testing. Forty-six timesheets were completed and turned in to the employee's supervisor before the end of the pay period, which resulted in estimating time between multiple activity codes and not recording actual time.

Recommendation – The Department should ensure the surveyors are using the correct activity codes for the various surveys conducted. In addition, timesheets should not be completed before the end of the pay period.

Response and Corrective Action Planned – The Department will return time sheets to employees that are submitted early with instructions not to resubmit until the last day of the pay period. If the time sheet has to be submitted early, for reasons such as vacation or sick leave on the last day of the pay period, there will be a notation on the e-mail stating the reason for early submission.

Conclusion – Response accepted.

June 30, 2013

Findings Reported in the State's Report on 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 following findings were noted:

State Public Defender's Office

- (a) The Office did not delete an equipment item disposed of. This resulted in an overstatement of capital assets by \$10,925.
- (b) The Office understated accumulated depreciation by \$86,317. This was properly adjusted for reporting purposes.

Iowa Racing and Gaming Commission

- (a) Deletion forms were not utilized for capital assets. In addition, policies and procedures were not adequate to ensure capital asset deletions were provided to the personnel responsible for maintaining the capital asset records.

Recommendation – The Department should ensure capital asset additions are reconciled to I/3 by an employee not responsible for recording and maintaining the capital asset records. Additionally, the Department should ensure the GAAP package information reported is complete and accurate. Deletion forms should be utilized and policies and procedures for capital asset deletions should be established and enforced to ensure personnel responsible for recording and maintaining capital assets are notified when disposition of a capital asset has occurred.

Responses:

State Public Defender's Office

- (a) The Office did not delete a copier which was traded in. The Office will have a second employee review inventory to ensure all deletions are recorded.
- (b) The Office had formula errors in its spreadsheet for depreciation. Corrections have been made and the Department will have a second employee review the accuracy of the formulas for future reports.

Iowa Racing and Gaming Commission

The Commission will use documented e-mails for future asset deletions to ensure proper notification of capital asset deletions.

Conclusions – Responses accepted.

June 30, 2013

Other Findings Related to 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 the GAAP package. The GAAP package is to be submitted to DAS–SAE by the first week of September each year. The following findings were noted:

Iowa Department of Inspections and Appeals

- (a) The Department overstated accounts receivable by \$7,175 and understated accounts payable by \$5,860.
- (b) The Department understated the future minimum rental payments by \$14,815. This was properly adjusted for reporting purposes.

State Public Defender’s Office

- (a) The Office incorrectly recorded two receipts for drug court cost reimbursements to fiscal year 2014, resulting in an understatement of accounts receivable by \$19,886 at June 30, 2013.
- (b) The Office understated the future minimum rental payments by \$314,946. This was properly adjusted for reporting purposes.

Iowa Racing and Gaming Commission

- (a) The Commission understated rent expense by \$45,456. This was properly adjusted for reporting purposes.

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

Responses:

Iowa Department of Inspections and Appeals

- (a) The Department will have a second employee verify the accounts receivable and accounts payable to ensure accuracy.
- (b) The Department will have a second employee review the rental payments to ensure accuracy.

State Public Defender’s Office

- (a) The Office will have a second employee verify the fiscal year of receipts to ensure they are coded to the correct fiscal year.
- (b) The Office will have a second employee verify the lease schedule to ensure accuracy.

June 30, 2013

Iowa Racing and Gaming Commission

- (a) The Commission will verify the GAAP package to ensure rental information is accurate.

Conclusions – Responses accepted.

- (2) Receipts – The following findings were noted:

Department of Inspections and Appeals/State Public Defender's Office

Reconciliations of initial listings at the Bureau level to I/3 are not performed. A reconciliation of initial listings at the Bureau level to the Fiscal Service Bureau is performed; but not by an independent person. In addition, reconciliations are not performed between receipt collections per the Bureau databases to I/3. A reconciliation between the Fiscal Service Bureau's initial listing and I/3 is not performed.

State Public Defender's Office

The Office receives checks from County Base and Drug Court Billings. Checks are recorded and sent to the Fiscal Bureau for deposit and entry into I/3. The Office does not restrictively endorse the checks prior to delivery to the Fiscal Bureau.

Recommendation – The Department should ensure initial listings are reconciled at the Bureau level to I/3 by an independent person. Reconciliations of initial listings at the Fiscal Bureau level to I/3 should be performed by an independent person. Reconciliations between receipt collections per Bureau database and I/3 should be performed by an independent person. In addition, the Department should restrictively endorse checks immediately upon receipt.

Responses:

Department of Inspections and Appeals/State Public Defender's Office

The Department is working on a new procedure to address both the reconciliation with I/3 and ensuring an independent person conducts the reconciliation. It will be in place by July 1, 2014.

State Public Defender's Office

The State Public Defender has now acquired an endorsement stamp and is stamping all checks before they come to Fiscal.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2013

- (3) Schedule of Expenditures of Federal Awards (SEFA) – The Schedule of Expenditures of Federal Awards for the year ended June 30, 2013 understated federal disbursements by \$8,686 for the State Medicaid Fraud Control Unit, \$60,162 for the State Survey and Certificate Program and \$93,572 for the Medical Assistance Program, for a total of \$162,420. This was corrected for the Statewide Single Audit Report.

Recommendation – The Department should develop and implement procedures to ensure the appropriate federal funds are included in the Department’s annual Schedule of Expenditures of Federal Awards.

Response – The Department is currently working on a procedure to ensure the SEFA will be reconciled to ensure there are no errors.

Conclusion – Response accepted.

- (4) Duplicate Drawdown Correction – Drawdowns are performed bi-weekly and monthly. Bi-weekly estimates are based on prior year’s fiscal information to help ensure the Department is not over billing. Using the bi-weekly estimates, drawdowns are made from the U.S. Department of Health and Human Services. Using actual costs, monthly drawdowns are made drawing down the remaining amount of funds owed. During the year ended June 30, 2013, the Department inadvertently drew down \$5,635 in excess federal funds while attempting to correct an error from the previous year.

Recommendation – The Department should develop policies and procedures to ensure drawdowns are only requested once. In addition, the Department should implement procedures to ensure any excess draws are reimbursed to the Federal Government in a timely manner.

Response – The Department will work to ensure drawdowns are only made once. The Department is working on a procedure for the return of federal funds which will be in place by July 1, 2014.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa Department of Inspections and Appeals

June 30, 2013

Staff:

Questions or requests for further assistance should be directed to:

Timothy D. Houlette, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Stephen J. Hoffman, Staff Auditor
Thomas S. Hebert, Staff Auditor
Anthony M. Heibult, Assistant Auditor
Leslie M. Downing, Assistant Auditor
Michael A. Chervek, Assistant Auditor