



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary 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 _____ September 23, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released a report on the Iowa Communications Network (ICN) for the year ended June 30, 2015.

The ICN is responsible for the management, development and operation of the statewide telecommunications network which carries and switches full motion interactive video, voice and data traffic for Iowa's educational institutions and other authorized users.

Mosiman recommended the ICN strengthen internal controls over information systems and develop policies and procedures to ensure receipts are deposited intact and timely. Also, the ICN should develop additional written procedures and follow established procedures to ensure a detailed, up-to-date capital asset listing is maintained and properly reported for financial statement purposes. The ICN's responses to the recommendations are included in the report.

A copy of the report is available for review at the Iowa Communications Network, in the Office of Auditor of State and on the Auditor of State's website at <https://auditor.iowa.gov/reports/1660-3360-0R00>.

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**REPORT OF RECOMMENDATIONS TO THE
IOWA COMMUNICATIONS NETWORK**

JUNE 30, 2015

Iowa Communications Network



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September 15, 2016

To the Members of the Iowa Telecommunications and Technology Commission:

The Iowa Communications Network (ICN) 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) for the year ended June 30, 2015.

In conducting our audit, we became aware of certain aspects concerning the ICN'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 ICN's internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with ICN personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the ICN's responses, we did not audit the ICN'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 Communications Network, citizens of the State of Iowa and other parties to whom the Iowa Communications Network 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 ICN 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 audit of the ICN are listed on page 7 and they are available to discuss these matters with you.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

cc: Honorable Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2015

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

No matters were noted.

Other Findings Related to Internal Control:

- (1) Password Controls – User identification numbers and passwords identify and authenticate users in controlling access to system resources. Typical controls for protecting information resources include the use of strong passwords which are at least eight characters in length, include a combination of alpha, numeric and special characters, are changed every 60 to 90 days, are not allowed to be reused and are locked out after a limited number of consecutive unsuccessful attempts. Passwords for certain systems include several of these control features, but other control features are not present.

Recommendation – The ICN should take steps to strengthen password controls.

Response – The billing system, Netplus, now has the capability to force password changes every 60 to 90 days. Passwords cannot be re-used and require a combination of upper and lower case letters, a number and a special symbol. Accounts are automatically locked after the time period has expired and after three unsuccessful attempts at entering an incorrect password. The general ledger, Solomon, does not require passwords with the current version. The version SL 2015 which we will install in fall 2016 will allow Windows Authentication. When the install is done, we will ensure the database is set up for this function. This will provide the same password requirements as our LAN accounts which meet standards.

Conclusion – Response accepted.

- (2) Timely Deposit – Chapter 12.10 of the Code of Iowa requires monies received be deposited within ten days of collection. Six of twenty-six receipts tested were not deposited timely or within ten business days.

Recommendation – The Department should develop procedures to ensure all receipts are deposited intact and timely.

Response – We will continue to implement standards and procedures to ensure cash deposits are processed timely. This will be discussed with the individual assigned to this task and we will stress this is an Iowa Code requirement. At a minimum, weekly deposits will be required to ensure standards are met. Any week which passes without a deposit, will be addressed with staff immediately to enable time to process any deposits in danger of exceeding 10 business days.

Conclusion – Response accepted.

- (3) 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. During fiscal year 2015, ten of seventy-seven capital assets tested for existence with a book value totaling \$68,492 could not be located at the site indicated on the capital asset listing. The capital asset had either been relocated to a different site or had been disposed of entirely.

Report of Recommendations to the Iowa Communications Network

June 30, 2015

Recommendation – The Department should develop additional written procedures and follow established procedures to ensure a detailed, up-to-date capital asset listing is maintained and properly reported for financial statement purposes. Procedures should include, but not limited to, a review of the Department’s tracking system to ensure the capital asset listing is up-to-date.

Response – The ICN will review and update current written procedures to ensure the capital asset listing is brought up-to-date and procedures are present that will keep the asset listing current that include, but are not limited to, a review of the reconciliation performed by accounting staff and the reconciliation between the ICN’s tracking system and amounts on the GAAP package for financial reporting.

The ICN is working on correcting a known system issue whereas asset transfers get “stuck” because the process by which fields should be automatically populated with the required transfer information does not work properly on certain asset transfers created in the old asset system. This is the case for six of the questioned assets. All of these assets are fully depreciated. According to the asset system vendor, this problem can be fixed when we upgrade to the current version of the software which we will schedule for late spring or early summer of 2016.

The other four assets were assets that were part of a consolidated asset created for GASB 34 in fiscal year 2001 in which we combined the contents of a FOTS (Fiber-Optic Transmission System) room. In subsequent fiscal years, as pieces of these consolidated items were replaced by upgraded parts, the auditor’s office requested we split the consolidated parts back out from the consolidated asset so they could be more easily removed from the site and replaced by the upgraded equipment. Engineers creating the transfers were not always looking into the asset system to remove all assets listed at the site. Instead they either 1) look “virtually” at the equipment that can be pinged over the network or 2) they are only choosing the equipment that is providing the service for which is being removed or upgraded. So it is possible some “passive” equipment listed in our old asset system may have been uploaded as part of the conversion process from the old asset database.

Conclusion – Response accepted.

June 30, 2015

Finding Related to Statutory Requirements and Other Matters:

Iowa Code Compliance – Chapter 73.16 of the Code of Iowa requires the Director of each state agency or department of state government (state agency) having purchasing authority, in cooperation with the Targeted Small Business (TSB) Marketing and Compliance Manager of the Iowa Economic Development Authority (IEDA), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal shall include the procurement of goods and services, including construction, but excluding utility services. The goal shall be stated in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

The TSB procurement goal for the ICN for fiscal year 2015 was not set at a level exceeding the fiscal year 2014 actual TSB spending.

Recommendation – The ICN should establish a dollar amount procurement level exceeding the previous fiscal year certified targeted small businesses procurement level as required.

Response – The ICN will set TSB spending goals above the certified TSB procurement level of the previous year to comply with the Code of Iowa.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Communications Network

June 30, 2015

Staff:

Questions or requests for further assistance should be directed to:

Suzanne R. Dahlstrom, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Ramona E. Daly, Staff Auditor
Erin J. Sietstra, Staff Auditor
Ryan P. Swanson, CPA, Staff Auditor
Tara H. Williams, Assistant Auditor
Grant W. Pomerenk, Assistant Auditor