



OFFICE OF AUDITOR OF STATE
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NEWS RELEASE

FOR RELEASE

September 7, 2011

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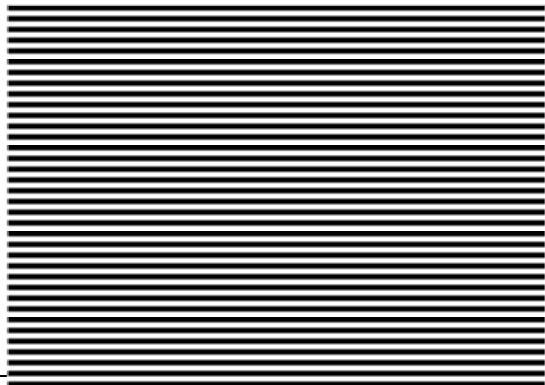
Auditor of State David A. Vaudt today released a report on the Iowa Department of Transportation for the year ended June 30, 2010.

The Department is responsible for planning, developing, regulating and improving the State of Iowa's transportation system to provide and preserve adequate, safe and efficient transportation services.

Vaudt recommended the Department review policies and procedures to improve internal control. The Department's responses are included in the report.

A copy of the report is available for review in the Iowa Department of Transportation, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1160-6450-BR00.pdf>.

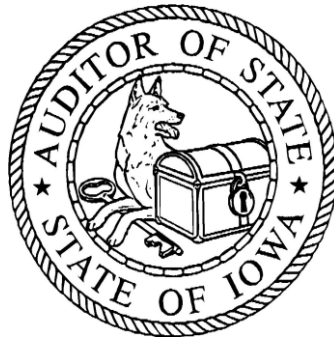
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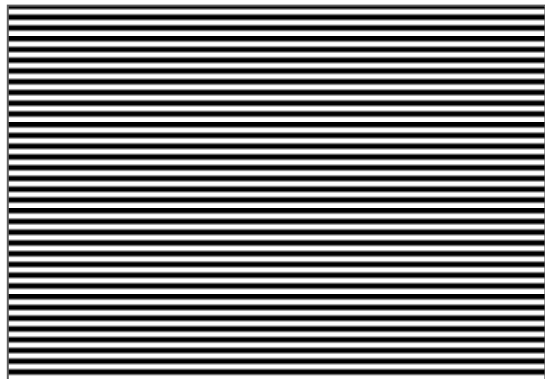
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF TRANSPORTATION**

JUNE 30, 2010

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



David A. Vaudt, CPA
Auditor of State





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August 30, 2011

To Paul Trombino III, Director of the
Iowa Department of Transportation:

The Iowa Department of Transportation 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, 2010.

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 related to 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 Transportation'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 Department of Transportation, citizens of the State of Iowa and other parties to whom the Iowa Department of Transportation 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 6 and they are available to discuss these matters with you.

Handwritten signature of David A. Vaudt in black ink.

DAVID A. VAUDT, CPA
Auditor of State

Handwritten signature of Warren G. Jenkins in black ink.

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 Department of Transportation

June 30, 2010

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:

- (1) Vendor Control – The Department has two systems, the accounts payable system and the business system, in which vendor names and addresses are added and modified.

When a change of address is made in the accounts payable system, it is automatically updated in the business system. A log of the change activity is maintained in the business system. However, when the vendor address is deleted, the activity log is deleted.

Vendor information must be entered into the accounts payable system before vouchers can be processed to pay the vendor. A number of employees have the ability to add and update vendor information and give office approval to process voucher information for vendor payment.

Recommendation – To maintain adequate control over original and changed vendor information and to mitigate the risk of making payments to fictitious vendors, the Department should:

- (a) Maintain the activity log in the business system, including when a vendor is deleted.
- (b) Develop policies and procedures to ensure proper segregation of duties over entering and updating vendor information and applying office approval to process voucher information for vendor payment.

Response – These changes were included in the fiscal year 2011 Information Technology Work Plan. As of May 31, 2011, the project was 90% complete.

Conclusion – Response accepted.

- (2) Motor Vehicle Enforcement Salvage Theft Exams – The Department issues pre-numbered salvage theft examination certificates to various local investigators and outside agencies for use when conducting investigations of vehicles designated as salvage or which have a salvage title to be physically examined by a certified peace officer. The exam may enable the owner of a substantially damaged vehicle to obtain a regular title versus a salvage title after repairs have been performed. When a Department of Transportation investigator conducts an examination, \$30 is collected and remitted to the Department in the form of a check or money order payable to the Department, along with a copy of the salvage theft examination certificate. When a local investigator or outside agency conducts an examination, \$20 is to be retained by the local agency and \$10 is to be remitted to the Department, along with the copy of the salvage theft examination certificate. The Department's Motor Vehicle Enforcement staff do not follow up with local investigators regarding missing certificates for salvage theft exams. Reports identifying gaps in the numerical sequence can be generated but are not being printed or monitored. Monitoring the numerical sequence of the

Report of Recommendations to the Iowa Department of Transportation

June 30, 2010

examination certificates could reduce the potential for inappropriate use of the examination certificates and improved accountability over collections.

Recommendation – The Department should develop procedures to monitor the numerical sequence of salvage theft examination certificates, with follow up to document valid reasons for any missing certificates.

Response – To better monitor the salvage vehicle theft examination process, the Motor Vehicle Division (MVD) is working to develop procedures to automate the salvage theft examination recording process. The initial steps taken have been to review the Iowa Code and administrative rules related to the examination and recording process. From this we have developed draft amendments to the Iowa Code and administrative rules to allow for the electronic documenting, electronic recording and electronic funds transfer. In the summer of 2011, MVD staff have met with motor vehicle associations and local and county law enforcement to discuss concerns with the salvage theft exam process and to obtain feedback on proposed changes. This fall we intend to meet with IT staff to determine the level of effort needed to complete these tasks and then we will finalize drafting Iowa Code and administrative rule changes.

The goal with this program will be to more efficiently and effectively monitor and audit the salvage vehicle theft examination process. When a vehicle has passed inspection, the authorized officer would document the inspection through electronic means and the vehicle title record in the Advanced Rural Transportation System (ARTS) will reflect the completion. The fee for the examination would be submitted electronically by the customer. This would eliminate missing forms and the need to record theft exam forms as we do today.

Conclusion – Response acknowledged. The recommendation to monitor the numerical sequence of salvage theft examination certificates still applies until the proposed changes are approved.

- (3) Receivables – From a control standpoint, the responsibility for preparing loan receivable billing invoices, receiving the loan collections and the ability to cancel a loan receivable billing invoice should be segregated. The Department has not segregated these duties. Cancelled loan receivable billing invoices are not accounted for during the reconciliation process and cancelled invoices are not monitored. The receivables listing at June 30 was not reviewed for completeness.

Recommendation – The Department should review current duties and implement proper segregation of duties for the receivable billing, collection and recording process.

Response – As of July 2011, the duties for the receivable billing, collection and recording process were segregated.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2010

Staff:

Questions or requests for further assistance should be directed to:

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Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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