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NEWS RELEASE

FOR RELEASE

August 22, 2012

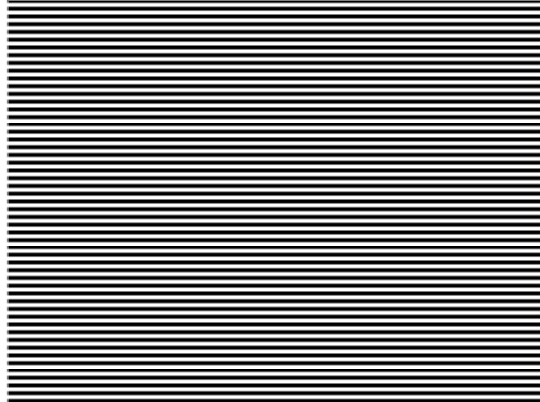
Contact: Andy Nielsen
515/281-5834

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

The Iowa Department of Public Defense is composed of the Military Division and the Homeland Security and Emergency Management Division. The main responsibilities of the Military Division are to protect the citizens of the state, recruit and train military personnel and maintain the National Guard armories throughout the state. The Homeland Security and Emergency Management Division is responsible for disaster preparedness and relief coordination throughout the state.

A copy of the report is available for review at the Iowa Department of Public Defense, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1260-5820-0R00.pdf>.

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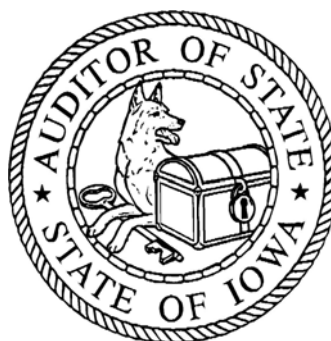


**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF PUBLIC DEFENSE**

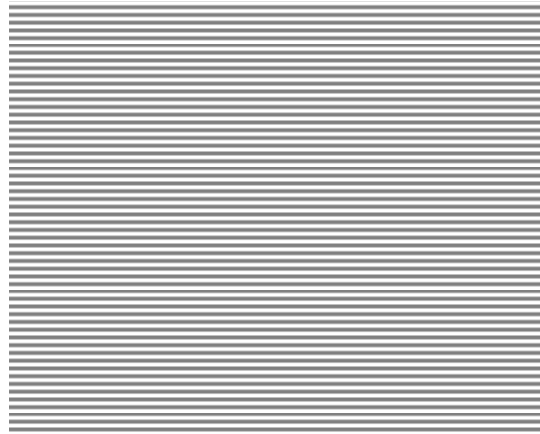
JUNE 30, 2011

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
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August 16, 2012

To Major General Timothy Orr, Adjutant General
of the Iowa Department of Public Defense:

The Iowa Department of Public Defense is 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 Single Audit Report and the State's Report on Internal Control, as well as other recommendations pertaining to the Department's internal control and 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 Public Defense'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 Public Defense, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Defense 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 12 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

June 30, 2011

Findings Reported in the State's Single Audit Report:

CFDA Number: 12.401 – National Guard Military Operations and Maintenance (O&M) Projects

Agency Number: W912LP-09-2, W912LP-10-2

Federal Award Year: 2009, 2010

State of Iowa Single Audit Report Comment: 11-III-DOD-582-1

- (1) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of state and other federal funds used to supplant programs until federal funds are received.

Payments to vendors are processed when invoices are received. In accordance with the internal policies of the Department, the Department subsequently bills the federal government for its portion of the expenditure within fourteen days of the expenditure. Three instances were identified where federal reimbursement was not requested within the established guideline of fourteen days.

Recommendation – The Department should review its procedures to ensure the federal government is billed for its portion of expenditures in a timely manner.

Response and Corrective Action Planned – Procedures have been updated and implemented to ensure all federal reimbursements are processed within Department guidelines. An independent individual will be assigned to periodically monitor billing timeliness and maintain documentation.

Conclusion – Response accepted.

CFDA Number: 12.401 – National Guard Military Operations and Maintenance (O&M) Projects

Agency Number: W912LP-09-2, W912LP-10-2

Federal Award Year: 2009, 2010

State of Iowa Single Audit Report Comment: 11-III-DOD-582-2

- (2) Disposition of Equipment – Chapter 8 of the Cooperative Agreement regulations, as noted in the National Guard Regulations (NGR) 5.1, requires United States Property and Fiscal Office (USPFO) authorization for the disposition of equipment purchased with federal funds and the submission of assets maintained by the Iowa Department of Public Defense. The Department states it properly obtained USPFO authorization for the disposition of equipment and provided records of maintained assets to the USPFO, but there was no supporting documentation retained for the authorization of deletions and the submission of asset records.

Recommendation – The Department should establish policies and procedures necessary to comply with the National Guard Regulations and maintain adequate supporting documentation.

Response and Corrective Action Planned – Procedures will be updated and implemented to ensure compliance. Documentation will be maintained by the Comptroller's Office.

Conclusion – Response accepted.

June 30, 2011

CFDA Number: 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Agency Number: FEMA-1688-DR, FEMA-1705-DR, FEMA-1727-DR, FEMA-1737-DR, FEMA-1763-DR, FEMA-1854-DR, FEMA-1877-DR, FEMA-1880-DR, FEMA-1928-DR, FEMA-1930-DR, FEMA-1977-DR

Federal Award Year: 2007, 2008, 2009, 2010

State of Iowa Single Audit Report Comment: 11-III-DHS-583-1

- (3) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of State and other federal funds used to supplant programs until federal funds are received.

A review of the Department’s ledgers and cash management system identified five instances where the cash balance was in excess of \$100,000 for four to six days. In addition, one instance was identified in which the reimbursement to the sub-grantee was made more than a week after the federal funds had been received.

Recommendation – The Department should monitor cash balances to ensure balances on hand are sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – Cash balances will be monitored and procedures updated to ensure all federal funds are distributed in a timely manner. An independent individual will be assigned to periodically monitor receipts against disbursements and maintain documentation of findings.

Conclusion – Response accepted.

CFDA Number: 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Agency Number: FEMA-1688-DR, FEMA-1705-DR, FEMA-1727-DR, FEMA-1737-DR, FEMA-1763-DR, FEMA-1854-DR, FEMA-1877-DR, FEMA-1880-DR, FEMA-1928-DR, FEMA-1930-DR, FEMA-1977-DR

Federal Award Year: 2007, 2008, 2009, 2010

State of Iowa Single Audit Report Comment: 11-III-DHS-583-2

- (4) 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 a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year.

During the year ended June 30, 2011, the Department reported liabilities outstanding to subrecipients related to the Public Assistance disaster grants and the related federal receivable. The amounts included in the GAAP package for the liability originally reported included errors. In addition, the activity processed through the I/3 system during the accrual period was not adjusted for activity already reported in the GAAP package, resulting in an overstatement of accounts receivable and accounts payable. The GAAP package was subsequently revised and properly adjusted for reporting purposes.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2011

Recommendation – The Department should develop policies and procedures to ensure the Public Assistance disaster grant liability is properly supported and calculated and should adjust for activity processed through the I/3 system during the accrual period.

Response and Corrective Action Planned – The Comptroller’s Office will work with Public Assistance staff to develop and implement policies and procedures to properly account for and report the grant liability and ensure all documentation is maintained.

Conclusion – Response accepted.

CFDA Number: 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Agency Number: FEMA-1688-DR, FEMA-1705-DR, FEMA-1727-DR, FEMA-1737-DR, FEMA-1763-DR, FEMA-1854-DR, FEMA-1877-DR, FEMA-1880-DR, FEMA-1928-DR, FEMA-1930-DR, FEMA-1977-DR

Federal Award Year: 2007, 2008, 2009, 2010

CFDA Number: 97.039 – Hazard Mitigation Grant

Agency Number: FEMA-1688-DR, FEMA-1705-DR, FEMA-1727-DR, FEMA-1737-DR, FEMA-1763-DR, FEMA-1854-DR, FEMA-1877-DR, FEMA-1880-DR, FEMA-1928-DR, FEMA-1930-DR

Federal Award Year: 2007, 2008, 2009, 2010

State of Iowa Single Audit Report Comment: 11-III-DHS-583-3

(5) Monitoring of Subrecipient Audit Reports – OMB Circular A-133 requires the Department to ensure required audit reports of subrecipients expending \$500,000 or more in federal awards are completed within nine months of the subrecipient’s fiscal year end, issue a management decision on audit findings within six months of the receipt of the subrecipient’s audit report and ensure the subrecipient takes timely and appropriate corrective action on all findings.

(a) Current policies require the Department to send letters to subrecipients for audit reports not received. Letters were properly sent to the subrecipients. However, thirteen instances were identified in which the subrecipients were not entered into the spreadsheet used to document review of subrecipient audit reports. As a result, there is no evidence to document whether the required audit report review was performed.

(b) Eight audit reports reviewed by the Iowa Homeland Security and Emergency Management Division (HSEMD) monitoring personnel and requiring follow-up and corrective action by the subrecipient were not included in the spreadsheet documenting initial audit report review because the Department by-passed the initial review.

Recommendation –

(a) The Department should continue to send letters to subrecipients as a reminder to submit audit reports. The subrecipients should be entered into the spreadsheet and audit reports received subsequently should be reviewed for audit findings and forwarded to HSEMD monitoring personnel for proper follow-up if required.

(b) The Department should ensure the initial review of subrecipient audit reports is performed on all subrecipient audit reports.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2011

Response and Corrective Action Planned – Procedures will be updated to ensure reviews are performed and audit reports are received. Documentation will be maintained by the Department showing audit reports are received and follow up is completed if necessary.

Conclusion – Response accepted.

CFDA Number: 97.039 – Hazard Mitigation Grant

**Agency Number: FEMA-1688-DR, FEMA-1705-DR, FEMA-1727-DR, FEMA-1737-DR,
FEMA-1763-DR, FEMA-1854-DR, FEMA-1877-DR, FEMA-1880-DR,
FEMA-1928-DR, FEMA-1930-DR**

Federal Award Year: 2007, 2008, 2009, 2010

State of Iowa Single Audit Report Comment: 11-III-DHS-583-4

- (6) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of State and other federal funds used to supplant programs until federal funds are received.

A review of the Department's ledgers and cash management system identified four instances where the cash balance was in excess of \$50,000 for four to six days.

Recommendation – The Department should monitor cash balances to ensure balances on hand are sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – Balances will be monitored to ensure funds are disbursed in a timely manner. Procedures will be updated and implemented to maintain minimum cash balances.

Conclusion – Response accepted.

June 30, 2011

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

- (1) Financial Reporting – The Homeland Security and Emergency Management Division 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 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 Division has developed procedures to determine the amount of liabilities outstanding by subrecipients related to the Public Assistance disaster grants and the related federal receivable. The amounts included in the GAAP package for the liability originally reported included errors. In addition, the activity processed through the I/3 system during the accrual period was not adjusted for activity already reported in the GAAP package, resulting in an overstatement of accounts receivable and accounts payable. The GAAP package was subsequently revised and properly adjusted for reporting purposes.

Recommendation – The Division should update current procedures to ensure the Public Assistance disaster grant liability is properly calculated and supported and is adjusted for activity already processed through the I/3 system during the accrual period.

Response – The Comptroller's Office will work with Public Assistance staff to develop and implement policies and procedures to properly account for and report the grant liability and ensure all documentation is maintained.

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.
- (a) The following errors were noted for the Military Division capital asset additions:
- (1) A capital asset purchase of \$9,097 was not included as an addition on the asset listing.
- (2) One asset was capitalized in error, overstating additions by \$5,440.
- (b) For the Homeland Security and Emergency Management Division, one capital asset purchase of \$23,361 was not included as an addition on the asset listing.

Recommendation – The Department should review current procedures to ensure a detailed, up-to-date capital asset listing is maintained. Procedures should include, but not be limited to, ensuring capital asset additions are reconciled to I/3 asset purchases. Amounts should be accurately reported in the GAAP package.

Response – Procedures are being updated and implemented to ensure all assets are reconciled to I/3 and properly reported on the GAAP package with documentation maintained.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2011

- (3) Payroll – The Department processes and records payroll and personnel information on the Human Resource Information System (HRIS). The Human Resource Associates utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises.

Two individuals have the ability to apply multiple levels of approval to timesheets.

Six individuals have the ability to initiate and approve P-1 documents. The Department requests and receives a quarterly summary of P-1 actions. However, the review is not performed by an independent individual.

Recommendation – To strengthen controls, the Department should develop and implement procedures to further segregate duties so individuals do not have the ability to apply multiple levels of approval for timesheets.

The Department should also ensure an independent individual performs the quarterly review of P-1 actions. This review should be evidenced by the signature of the independent reviewer and the date the review was performed.

Response – Access to P-1 actions has been reduced to the minimum (4) needed to assure timely processing of payroll documents. It is necessary to have 2 individuals with multiple access levels to cover for absences. Review will be performed by an independent individual and properly noted.

Conclusion – Response accepted.

June 30, 2011

Other Findings Related to Internal Control:

- (1) Financial Reporting – The Department records revenues and expenditures on the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Revenues relating to activity occurring subsequent to June 30, 2010 should be recorded in the I/3 system as fiscal year 2011 activity. However, \$117,300 of revenues received in August 2010 for services provided after June 30, 2010 were coded to fiscal year 2010.

Recommendation – The Department should develop policies and procedures to ensure revenues received during the accrual period are reviewed and charged to the proper fiscal year on the I/3 system.

Response – The Department will update policies and procedures to ensure all revenues during the accrual period are properly coded to the correct fiscal year.

Conclusion – Response accepted.

- (2) Compensatory (Comp) Time – Certain employees who work more than forty hours per week and do not elect to receive overtime pay are eligible to receive comp time at time and a half for the hours in excess of forty worked in a week.

Certain employees within the Homeland Security and Emergency Management Division (HSEMD) were noted who routinely earned and used comp time in the same pay period. They were using comp time in a week and then working extra hours later in the week, causing comp time to be earned at time and a half. This gives the appearance of taking advantage of compensated time.

In addition, certain employees within HSEMD also appear to work a significant amount of overtime during the fiscal year.

Recommendation – The Division should develop policies and procedures regarding comp time. These should address whether it is allowable to use and earn comp time within the same pay period.

Response – The Division will update its existing policy to address the use and earnings of comp time within the same pay period.

Conclusion – Response accepted.

- (3) Purchasing Cards – The Purchasing Card is a Visa credit card issued by a bank to the State of Iowa. The purpose of the Purchasing Card Program is to establish a faster, more cost-effective method for purchasing and payment. The Iowa Department of Administrative Services (DAS) implemented policies and procedures governing the program.

The DAS Purchasing Card policy requires a cardholder to be an employee of the State of Iowa who is designated by their supervisor and approved by the Agency Administrator to utilize the Purchasing Card to purchase supplies and/or goods. The cardholder is subject to single transaction limitations and a monthly limit. Each purchase must be supported by a receipt or other supporting documentation. Cardholders may only hold one card. A card without the cardholder's signature in the signature block is an invalid card.

Report of Recommendations to the Iowa Department of Public Defense

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The DAS Purchasing Card policy requires an Agency Administrator to be designated within the Agency for questions, issues and administration of the program. The Agency Administrator should keep an active and historical listing of all purchasing cards and limitations.

A review of purchasing card transactions identified the following:

Military Division

For three of eight months tested, the reconciliation of account activity was performed more than thirty days after receipt of the statement.

Homeland Security and Emergency Management Division

For one of eight months tested, payment was made after the statement due date.

For four of eight months tested, the reconciliation was performed more than thirty days after receipt of the invoice. The remaining credit cards tested were not date stamped upon receipt so we were unable to determine whether the reconciliation was performed within thirty days of the receipt of the statement.

Recommendation – The Department should establish procedures to ensure timely payment and a timely reconciliation process. All purchasing card statements should be date stamped to evidence when the statement was received by the Department.

Response – The Department will update policies and procedures to establish written timeframes for timely payment and reconciliation of all statements. All statements will be date stamped upon receipt to ensure compliance.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters

Biennial Reports – Chapter 7A.3 of the Code of Iowa requires the Adjutant General to file a biennial report in each even-numbered year. The reports shall cover the biennial period ending June 30 and shall be filed as soon as practicable after the end of the reporting period. The Adjutant General is also required to file summary reports relating to the Department's operations for the preceding fiscal year in each odd-numbered year. Such reports are to be filed as soon as practicable after June 30 of each odd-numbered year. Biennial reports are to be as detailed as may be required by the Governor, or in the case of reports to be filed with the General Assembly, the presiding officers of the two houses of the General Assembly. The Department prepares annual reports rather than biennial reports and the report was not filed until March 2012.

Recommendation – The Adjutant General should comply with this chapter of the Code of Iowa.

Response – The Department will establish policy to file the report by December 31.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2011

Staff:

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Alison P. Herold, Staff Auditor
Keith C. Kistenmacher, Senior Auditor
Kassi D. Adams, Staff Auditor
Hannah K. Haas, Assistant Auditor
Victor L. Kennedy, Assistant Auditor
Matthew S. Nye, Assistant Auditor
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