



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 July 31, 2013

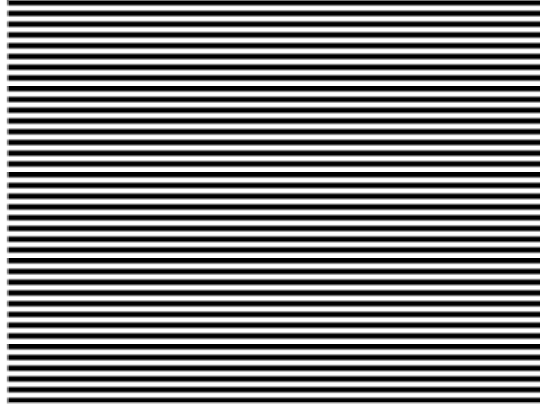
Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released a report on the Iowa Department of Public Defense for the year ended June 30, 2012.

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/1360-5820-0R00.pdf>.

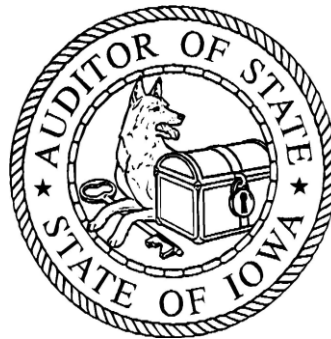
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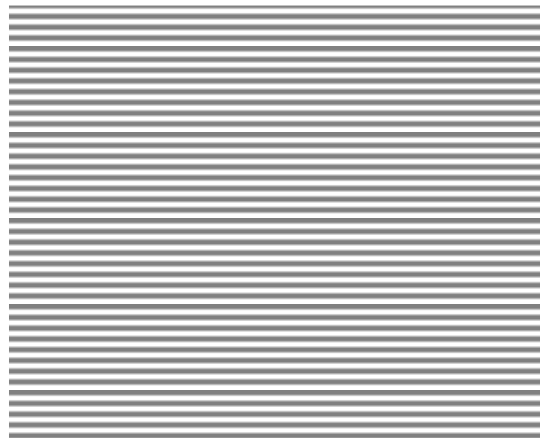
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF PUBLIC DEFENSE**

JUNE 30, 2012

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



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July 30, 2013


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


The Iowa Department of Public Defense 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, 2012.

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. 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 9 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, 2012

Findings Reported in the State's Single Audit Report:

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

Agency Number: FEMA-1688-DR, FEMA-1705-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, FEMA-4016-DR, FEMA-4018-DR

Federal Award Year: 2007, 2008, 2009, 2010, 2011, 2012

State of Iowa Single Audit Report Comment: 12-III-DHS-583-1

- (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.

A review of the Department's ledgers and cash management system identified three instances where the cash balance was in excess of \$100,000 for five days. In addition, one instance was identified in which the reimbursement to a 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 – Homeland Security and Emergency Management Division (HSEMD) will work through the Department's Comptroller's Office to ensure all federal funds are distributed in a timely manner to the best of our capabilities.

Conclusion – Response accepted.

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

Agency Number: FEMA-1688-DR, FEMA-1705-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, FEMA-4016-DR, FEMA-4018-DR

Federal Award Year: 2007, 2008, 2009, 2010, 2011, 2012

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, FEMA-1977-DR, FEMA-4016-DR, FEMA-4018-DR

Federal Award Year: 2007, 2008, 2009, 2010, 2011, 2012

State of Iowa Single Audit Report Comment: 12-III-DHS-583-2

- (2) Financial Reporting – Departments record receipts and disbursements in the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded in 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.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2012

During the year ended June 30, 2012, the Department reported liabilities outstanding to subrecipients related to the Public Assistance Disaster and Hazard Mitigation grants and the related federal receivable and payable. 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 Department should develop policies and procedures to ensure liabilities of the Public Assistance Disaster and Hazard Mitigation grants are 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 Department’s Comptroller’s Office will work with HSEMD to update procedures on GAAP package completion to properly account for and report the grant liability and required adjustments for the accrual period. HSEMD staff will review completed GAAP package to ensure HSEMD data accuracy before GAAP package is submitted to DAS-SAE. Documentation will be maintained in the Comptroller’s Office.

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, FEMA-1977-DR, FEMA-4016-DR,
FEMA-4018-DR**

Federal Award Year: 2007, 2008, 2009, 2010, 2011, 2012

State of Iowa Single Audit Report Comment: 12-III-DHS-583-3

(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 \$50,000 for four to seven 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 – HSEMD will work through Department’s Comptroller’s Office to ensure all federal funds are distributed in a timely manner.

Conclusion – Response accepted.

June 30, 2012

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 and Hazardous Mitigation 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 and Hazardous Mitigation 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 Department's Comptroller's Office will work with HSEMD staff to implement policies and procedures to properly account for and report the grant liability and required adjustments for the accrual period. Documentation will be maintained in the Comptroller's Office.

Conclusion – Response accepted.

- (2) 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.

Five 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 (5) 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, 2012

Other Findings Related to Internal Control:

- (1) 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 compensatory 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 – HSEMD will update its existing policy, while also complying with collective bargaining agreements, to address the use and earnings of comp time within the same pay period. Overtime hours were approved based on project needs and emergency situations and when the grant budget allows. HSEMD will continue to examine its overtime policy to ensure consistency with collective bargaining agreements and federal grant requirements.

Conclusion – Response accepted.

- (2) 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.

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

June 30, 2012

Homeland Security and Emergency Management Division

For three of twelve 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. Also, purchasing card statements should be date stamped to evidence when the statement was received by the Department.

Response – The Department has implemented new procedures and all card holders have been required to attend training. A written policy is being developed and will be in place by April 15, 2013.

Conclusion – Response accepted.

- 3) Military Division 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. Two 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 – Program has been developed to generate a report of billing dates to ensure reimbursements are requested within established guidelines. An individual independent of the billing process has been assigned to monitor this report and maintain documentation guidelines are met.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Public Defense

June 30, 2012

Staff:

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager
Dorothy O. Stover, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Michael R. Field, Senior Auditor
Kassi D. Adams, Staff Auditor
Jamie T. Reuter, Staff Auditor
Brandon J. Vogel, Staff Auditor
Hannah K. Haas, Assistant Auditor
Jessica PV. Green, Staff Auditor
Adam B. Bartz, Assistant Auditor
Kaylynn D. Short, Assistant Auditor
Benjamin D. Scieszinski, Audit Intern