

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ July 21, 2014

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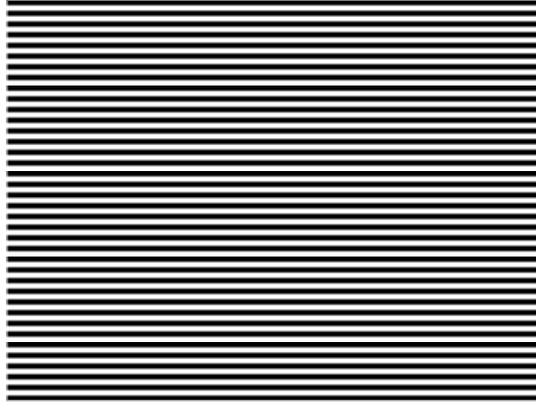
Auditor of State Mary Mosiman today released a report on the Iowa Department of Public Health for the year ended June 30, 2013.

The Department exercises general supervision over public health programs, promotes health and sanitation, carries out specific responsibilities required by law and administers state and federal laws related to public health and vital records. The Department also exercises administrative authority over the medical, dental, pharmacy and nursing boards.

Mosiman recommended the Department improve controls over the recording of capital assets, cash management and reporting over federal programs. The Department responded corrective action is being implemented.

A copy of the report is available for review in the Iowa Department of Public Health, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1460-5880-BR00.pdf>.

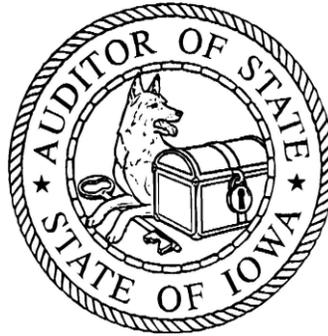
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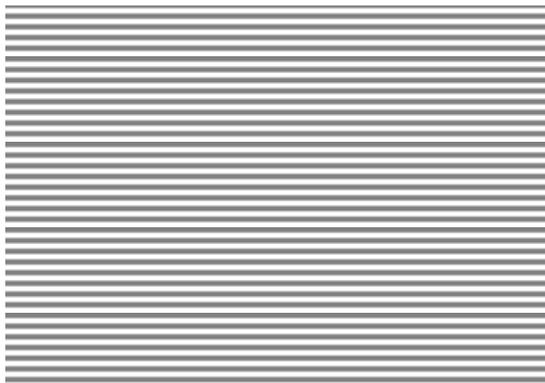
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF PUBLIC HEALTH**

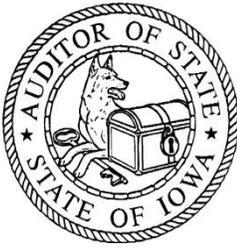
JUNE 30, 2013

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



Mary Mosiman, CPA
Auditor of State





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July 16, 2014

To Gerd Clabaugh, Director of the
Iowa Department of Public Health:

The Iowa Department of Public Health 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 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 Health'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 Health, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Health 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

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2013

Findings Reported in the State's Single Audit Report:

CFDA Number: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Agency Number: 2012IW100343, 2013IW100343

Federal Award Year: 2012, 2013

State of Iowa Single Audit Report Comment: 13-III-USDA-588-2

- (1) Subrecipient Monitoring – The Department periodically performs on-site monitoring visits of its subrecipients. The visits are performed by various staff and are reviewed and approved by a supervisor. For one of the eleven administrative reviews tested, the response from the local WIC agency was not received by the established deadline. Proper follow-up with the local WIC agency was not performed although the progress report was three months past due. For two of twenty clinic reviews tested, the response from the local WIC agency was not received by the established deadline.

Recommendation – The Department should develop policies and procedures to ensure all progress reports due in response to on-site monitoring visits are received in a timely manner or proper follow-up is performed and documented.

Response and Corrective Action Planned – The Department acknowledges human error resulted in lack of follow up for the instances mentioned. The assigned WIC staff person will maintain an electronic schedule of due dates for progress reports related to administrative reviews. This schedule will be monitored on a monthly basis and follow up will be initiated and documented when a local WIC agency has not provided a response by the established deadline.

Conclusion – Response accepted.

CFDA Number: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Agency Number: 2012IW100343, 2013IW100343

Federal Award Year: 2012, 2013

State of Iowa Single Audit Report Comment: 13-III-USDA-588-3

- (2) Federal Funding Accountability and Transparency Reports – The Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252) requires prime awardees to submit reports regarding their first-tier subawards to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports are due for all applicable subrecipient grants by the end of the month subsequent to the month the grants were awarded.

For the first six months of the State's fiscal year, the Department did not report subaward information as required by the Federal Funding Accountability and Transparency Act.

Recommendation – The Department should establish policies and procedures to ensure reports are submitted timely and in accordance with the Federal Funding Accountability and Transparency Act.

Report of Recommendations to the

Iowa Department of Public Health

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Response and Corrective Action Planned – The Department has developed a standard report form and practice for consistent collection and reporting of sub-award data for which the Department awards any sub-grant equal to or greater than \$25,000 as required by the specific federal grant awards. The Department practice of appropriate program contract management staff collecting and reporting the federally required information via the FSRS was implemented by December 31, 2012.

Conclusion – Response accepted.

CFDA Number: 93.268 – Immunization Cooperative Agreements

Agency Number: 5H23IP722542-10, 1H23IP000724-01

Federal Award Year: 2012, 2013

State of Iowa Single Audit Report Comment: 13-III-HHS-588-3

- (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 records identified one instance where cash balances were in excess of \$50,000 for five to forty business days.

Recommendation – The Department should develop and implement procedures to ensure federal funds are drawn down in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – The Department acknowledges human error resulted in cash balances in excess of \$50,000 for a lengthy period of time. The Department has reviewed current cash management of federal funding, including the monitoring of accounts with balances in multiple State fiscal years.

Conclusion – Response accepted.

CFDA Number: 93.268 – Immunization Cooperative Agreements

Agency Number: 5H23IP722542-10, 1H23IP000724-01

Federal Award Year: 2012, 2013

State of Iowa Single Audit Report Comment: 13-III-HHS-588-4

- (4) Federal Funding Accountability and Transparency Reports – The Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252) requires prime awardees to submit reports regarding their first-tier subawards to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports are due for all applicable subrecipient grants by the end of the month subsequent to the month the grants were awarded.

For the first six months of the State's fiscal year, the Department did not report subaward information as required by the Federal Funding Accountability and Transparency Act.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2013

Recommendation – The Department should establish policies and procedures to ensure reports are submitted timely and in accordance with the Federal Funding Accountability and Transparency Act.

Response and Corrective Action Planned – The Department has developed a standard report form and practice for consistent collection and reporting of sub-award data for which the Department awards any sub-grant equal to or greater than \$25,000 as required by the specific federal grant awards. The Department practice of appropriate program contract management staff collecting and reporting the federally required information via the FSRS was implemented by December 31, 2012.

Conclusion – Response accepted.

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

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 were noted for the Department:

- (a) The Department did not perform a reconciliation of capital asset additions to I/3 expenditures for one of the four Boards within the Department.
- (b) Two assets were not in the Department's possession at the end of the fiscal year but were erroneously included in the capital asset listing. In addition, one asset was capitalized in error and another was capitalized at an incorrect amount. Capital assets were overstated by \$41,619.
- (c) One asset was purchased and received by year end but was not capitalized. Capital assets were understated by \$11,429.

Recommendation – The Department should develop written procedures to ensure a detailed, up-to-date capital asset listing is maintained. Procedures should include, but not be limited to, ensuring all capital asset additions are reconciled to I/3 asset purchases. The reconciliation should also be reviewed by a person independent of the record keeping process. The independent reviewer should sign and date the reconciliation as evidence of review. In addition, the Department should ensure capital assets are capitalized in the correct amounts and in the proper fiscal year.

Response – The Department has written inventory guidelines and procedures which include steps to ensure additions are reconciled and duties are segregated as much as possible. The Department will review its procedures to determine where improvements can be made. Revisions will be made as appropriate, incorporating additional actions to prevent inadvertent mistakes.

Conclusion – Response accepted.

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Iowa Department of Public Health

June 30, 2013

Other Findings Related to Internal Control:

- (1) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One or two individuals may have control over the following areas for which no compensating controls exist:
 - (a) Board of Medicine – Responsibilities for deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts.
 - (b) Board of Nursing – An independent person reconciles deposits per the I/3 financial accounting software to supporting documentation. However, there is no documentation of the independent review of cash receipts.
 - (c) Dental Board – Responsibilities for deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts, and correcting entries to the licensing database are not processed by an independent person. In addition, the Executive Director approves timesheets for all employees, including her own.
 - (d) Board of Pharmacy – An initial listing of receipts is not prepared by the mail opener. One individual has the responsibility for deposit preparation, reconciliation and recording of cash receipts. In addition, one individual prepares expenditure claims and reconciles them to the warrant register.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Boards should review operating procedures to obtain the maximum internal control possible under the circumstances.

Responses –

- (a) Board of Medicine – After a discussion with staff from the Office of Auditor of State on May 7, 2014, we have determined two Board staff members will add their electronic signatures on the deposits, which are also reviewed by the State Treasurer’s Office.
- (b) Board of Nursing – The independent person reconciling the deposits per the I/3 financial accounting software to supporting documentation will sign the cash receipt document upon review.
- (c) Dental Board – The Iowa Dental Board is going to implement a process whereby the Executive Director, or the Director’s designee, will randomly select cash receipt documents for audit. The audit will involve comparing the cash receipt documents with the (fee) information in the licensing database to confirm the accuracy in the cash receipt documents. Protocols will be developed to document and track the audits as they are completed by the Executive Director or designee.

With the retirement of the former Executive Director, the procedures for approval of timesheets have changed. Currently, the (interim) Director’s timesheet is given a second level of review/approval by the staff member responsible for financial matters in the office.

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Following the permanent replacement of the Executive Director, staff will work with the new Director to establish an ongoing procedure for timesheet approval, accomplished internally with Iowa Dental Board staff, or with the assistance of the Department.

- (d) Board of Pharmacy – Pursuant to the recommendation of the Office of Auditor of State, the Board will review these procedures in an effort to improve control over cash receipts and expenditures. The Board is in the process of identifying various duties and functions relating to the preparation and reconciliation of deposits and the reconciliation and distribution of warrants that can be assigned to other Board staff. In addition, the Board is reviewing processes relating to opening and distributing mail to identify changes aimed at improving internal controls over those processes. Implementation of changes in these procedures will be accomplished prior to the end of the current fiscal year.

Conclusion – Response accepted.

- (2) Payroll Distribution – OMB Circular A-87 states employees who work on multiple programs will distribute their time based on actual activity. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support. The Department develops a budget documenting the percentage of time employees are expected to work on each federally funded program.

For one employee tested under the Block Grants for Prevention and Treatment of Substance Abuse program, recorded hours were based on the predetermined budget rate rather than the actual hours worked on the program.

Recommendation – The Department should ensure employees record actual hours worked on the federal program rather than the predetermined rate.

Response – The Department distributed the procedure for payroll reconciliation to management personnel on May 8, 2013 for discussion with employees. This procedure outlines their responsibilities to instruct their employees how to document the actual distribution of their time charged to individual financial accounts based on total actual employee activity. Division management personnel received the procedure for payroll reconciliation as distributed on May 8, 2013. Employees were instructed on documenting their actual worked time during the regularly scheduled Bureau of Substance Abuse meeting on May 13, 2013 and again on November 25, 2013.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

- (1) Travel Claims – The Department of Administrative Services - State Accounting Enterprise (DAS – SAE) has developed an Accounting Policy and Procedures Manual for use by state entities. Section 210 of the manual relates to travel. We selected travel transactions to test for compliance with procedures outlined in the Policy and Procedures Manual and noted a Board of Medicine employee was reimbursed at a rate that exceeded the \$55 maximum lodging reimbursement rate stated in DAS – SAE Policy 210.205.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2013

Recommendation – The Board of Medicine should comply with the provisions of the DAS – SAE Accounting Policy and Procedures Manual.

Response – This was a one-time entry error and the employee involved will reimburse the State for the difference (approximately \$30). The employee was inadvertently paid at the hotel reimbursement rate for Board members, rather than the hotel reimbursement rate for State employees.

Conclusion – Response accepted.

(2) Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2013:

- (a) Annual Report – Chapter 135.43 of the Code of Iowa requires the Iowa Child Death Review Team to collect, review and analyze child death certificates and child death data, including patient records or other pertinent confidential information concerning the deaths of children under age eighteen for use in preparing an annual report to the Governor and the General Assembly concerning the causes and manner of child deaths. The last report submitted by the Team was for 2008-2009.
- (b) Annual Report – Chapter 148C.12 of the Code of Iowa requires the Board of Physician Assistants and the Board of Medicine to provide a report to the Governor and General Assembly by January 31 of each year detailing the Boards' collaborative efforts and team building efforts. The report was not submitted timely.
- (c) Inspections – Chapter 156.10 of the Code of Iowa requires the Department to inspect all places where dead human bodies are prepared or held for burial, entombment or cremation. The Department has not performed the required inspections.
- (d) Salon Inspections – Chapter 157.11 of the Code of Iowa requires the Department to perform biennial inspections of salons, defined as an establishment where one or more persons is engaged in the practice of cosmetology arts and sciences. The Department has not performed the required inspections.
- (e) Barbershop Inspections – Chapter 158.9 of the Code of Iowa requires the Department to perform biennial inspections of barbershops, defined as an establishment where one or more persons is engaged in the practice of barbering. The Department has not performed the required inspections.

Recommendation – The Department should take the necessary steps to comply with the Code of Iowa or should seek repeal of the Code sections.

Report of Recommendations to the

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Responses –

- (a) Annual Report – Chapter 135.43 – The Iowa Child Death Review Team reviews cases retrospectively. There are inherent delays in reviewing cases due to delays receiving requested data/reports from other agencies and cases pending litigation. A combined 2008 and 2009 annual report was issued. The last report submitted was the 2010 annual report. The Team currently is finalizing the 2011 report and anticipates release of the report by September 1, 2014. The Team will begin work on drafting the 2012 annual report within the next quarter. The Team is currently reviewing 2013 cases.

The Iowa Office of the State Medical Examiner (IOSME) was assigned the coordination of the State Child Death Review Team in 2009 with no funding and personnel. All Team members are volunteers. During the transition from the Department to the IOSME, there was an initial delay in reviewing cases due to the legal requirement for amendments to the Iowa Code and Administrative Rules to reflect the change in the Team's coordination. Until the Code and Rules were changed, the Team could not operate and review cases. The Team has worked tirelessly over the past few years to review cases and issue annual reports in a timely a manner as possible.

- (b) Annual Report – Chapter 148C.12 – The Boards of Medicine and Physician Assistants completed the report prior to the January 31, 2013 deadline, but it was not filed by the expressed deadline due to an oversight. The Boards have addressed the problem, as can be attested by the timely filing of the 2014 report.

(c)(d)

- (e) Inspections – Chapters 156.10, 157.11 and 158.9 – Proposed legislation in Senate File 2196 updating the language in Chapters 156.10, 157.11 and 158.9 from “shall” to “may” perform inspections was passed by the 2014 Legislature and signed by the Governor.

Conclusion – Response accepted.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2013

Staff:

Questions or requests for further assistance should be directed to:

Jennifer Campbell, 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:

Jessica L. Barloon, Staff Auditor
Elissa R. Olson, Staff Auditor
Laura M. Wernimont, Staff Auditor
Amanda L. Burt, Assistant Auditor
Megan E. Irvin, Assistant Auditor
Melissa E. Janssen, Assistant Auditor
Ben Salow, Assistant Auditor