

# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA  
Auditor of State

## NEWS RELEASE

FOR RELEASE

August 14, 2013

Contact: Andy Nielsen  
515/281-5834

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

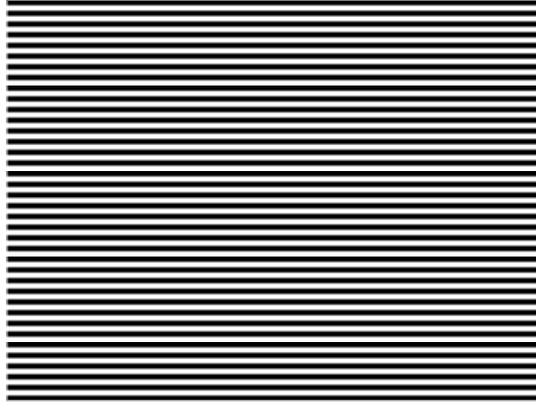
The Department exercises general supervision over public health programs, promotes health and sanitation, carries out specific responsibilities required by law and administers state and federal laws related to public health and vital records. The Department also exercises administrative authority over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

Mosiman recommended the Department improve controls over the recording of capital assets and 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/1360-5880-BR00.pdf>.

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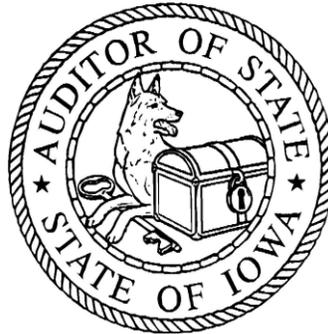




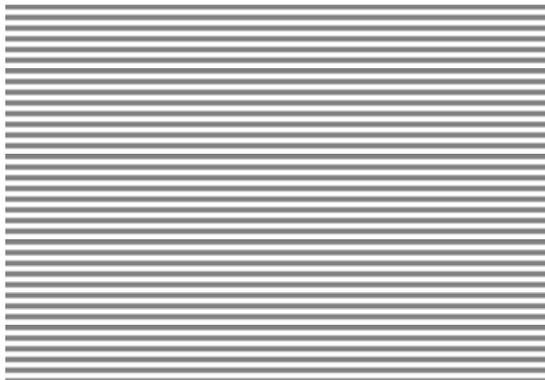
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF PUBLIC HEALTH**

**JUNE 30, 2012**

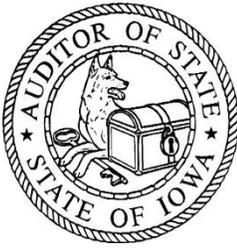
Office of  
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OF STATE**  
State Capitol Building • Des Moines, Iowa



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August 9, 2013

To Marianne Miller-Meeks, 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, 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 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, 2012

**Findings Reported in the State's Single Audit Report:**

**CFDA Number: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children**

**Agency Number: 2011IW100343, 2011IW100643, 2012IW100343, 2012IW100643**

**Federal Award Year: 2011, 2012**

**State of Iowa Single Audit Report Comment: 12-III-USDA-588-3**

- (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 records identified six instances where cash balances were in excess of \$200,000 for five to nineteen 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 has reviewed current cash management of federal funding for the individual accounts maintained for Special Supplemental Nutrition Program for Women, Infants and Children (WIC). The Department has previously considered these accounts to be separate for cash management purposes. Current processes will be reviewed and revised to provide for cumulative cash management of the program.

Conclusion – Response accepted.

**CFDA Number: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children**

**Agency Number: 2011IW100343, 2012IW100343**

**Federal Award Year: 2011, 2012**

**State of Iowa Single Audit Report Comment: 12-III-USDA-588-4**

- (2) 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 two of the eleven on-site administrative reviews tested, the response from the local WIC agency was not received by the established deadline. In one instance, proper follow-up with a local WIC agency was not performed although the progress report was five months past due.

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 has been performed and documented.

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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**

**Agency Number: 2011IW100343, 2012IW100343**

**Federal Award Year: 2011, 2012**

**State of Iowa Single Audit Report Comment: 12-III-USDA-588-5**

- (3) 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.

The Department has not reported 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.

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 federal grants. 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.

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**CFDA Number: 93.268 – Immunization Cooperative Agreements**

**Agency Number: 5H23IP722542-09, 5H23IP722542-10**

**Federal Award Year: 2011, 2012**

**State of Iowa Single Audit Report Comment: 12-III-HHS-588-3**

- (4) 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 ten 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 has reviewed current cash management of federal funding, including the practice of encumbering funds for future vendor payments. This practice inflated the amount of drawdown for immediate cash flow with the State’s accounting system and resulted in excessive federal fund balances. The Department has revised its procedures effective October 2011 and no longer encumbers funding at the time of procurement from vendors.

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 two of the four Boards within the Department.
- (b) Sixteen capital asset additions totaling \$144,155 were purchased in the prior year and should have been added to the asset listing in fiscal year 2011.
- (c) Depreciation expense and accumulated depreciation were originally understated by \$61,298. Adjustments were subsequently made by the Department to properly report the amounts in the Department’s GAAP Package.
- (d) The amount capitalized for intangible capital assets was understated by \$37,516.

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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 proper fiscal year.

Response – The Department’s written procedures for capital asset management including the reconciliation to I/3 asset purchases, the approval and retention of support for disposed assets and consistent application of depreciation methods will be implemented throughout the Department.

The two Boards within the Department will review/revise their respective formalized policies regarding capital asset acquisition and reconciliation. The Boards will reconcile the capital asset listing to the I/3 asset purchases and document reconciliation and review of all additions to capital assets each fiscal year. Documentation of the reconciliation of capital asset additions will be available for all future audits.

Conclusion – Response accepted.

**Other Findings Related to Internal Control:**

- (1) Federal Funding Accountability and Transparency Act Reporting – 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.

The Department has not reported subaward information as required by the Federal Funding Accountability and Transparency Act for the Block Grants for Prevention and Treatment of Substance Abuse.

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– 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 federal grants. 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.

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- (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.

Conclusion – Response accepted.

- (3) Board of Nursing – License Fee Coding – The Board of Nursing collects fees for the issuance of nursing licenses. Part of the fee is for payment of a background check on the licensee which is performed by the Iowa Division of Criminal Investigation.

When the Board processes the license fee, the portion of the fee attributable to the background check is recorded as a reduction of an expenditure rather than as a revenue. This process results in an understatement of revenues and transfers out recorded by the Board.

Recommendation – The Department should ensure revenue transactions are properly recorded.

Response – The Department provided written direction to the Boards on April 1, 2013 that all fees and payments received by the Boards beginning July 1, 2013 for fiscal year 2014 and subsequent years shall be deposited as revenue.

Conclusion – Response accepted.

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**Findings Related to Statutory Requirements and Other Matters:**

- (1) Questionable Expenditures – We noted certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Johnny’s Italian Steakhouse	150 meals for Pharmacy Outreach meeting	\$ 5,080
YoungPetra LLC	150 meals for Pharmacy Outreach meeting	5,343
Gino’s West Glen LLC	30 meals for Pharmacy Board meeting	1,056
Latin King Restaurant	20 meals for Pharmacy staff	307

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

The average cost of the meals for the Pharmacy Outreach meetings and the Pharmacy Board meeting was approximately \$35 per meal and the average cost of the meals for the Pharmacy staff was approximately \$15 per meal, which appear to be excessive.

Recommendation – The Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Board should establish written policies and procedures, including requirements for proper documentation.

Response – The public purpose served by the Board of Pharmacy Outreach Meetings, in addition to engaging Iowa pharmacists and pharmacy technicians in meaningful dialogue with the Board, Board staff and among themselves, was to update, educate and inform licensees of new and proposed changes to pharmacy-related laws and rules. The Outreach Meetings encouraged and solicited comments, suggestions and concerns from licensees regarding practice standards, initiatives, constraints and other professional matters. Issues relating to patient safety, pharmacy workload and pharmacy working conditions were also discussed and debated. If the Board decides to continue the Pharmacy Outreach Meetings in this manner in the future, written policies and procedures, including requirements for proper documentation and justification of the public purpose to be served by the meetings, will be established by the Board and adhered to.

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The Department of Administrative Services (DAS) approved an exception to state-wide policy for Pharmacy Board meals on June 28, 2011. Subsequent waiver requests for meals related to Pharmacy Board meetings, committee meetings, task force meetings, work groups and conferences were approved by DAS on February 8, 2012 and August 23, 2012. The Board will develop policies addressing both the cost and appropriateness of future meals to ensure they meet the requirements of public purpose.

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, 2012:
- (a) 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.
  - (b) 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.

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

Response –

- (a) Inspections - The issue was addressed at the Board of Mortuary Science meeting held September 12, 2011 with no further action being taken in fiscal year 2012. The item will be discussed at the June 13, 2013 Board meeting to determine if the Board wishes to charge an inspection fee, increase licensure fees or eliminate/modify this Code requirement.
- (b) Salon Inspections – The Board of Cosmetology discussed this issue at their July 12, 2012 meeting and considers inspections of salons an important component in protecting the public and continues to consider financially feasible solutions to the requirements for onsite inspections. This item will be discussed at the Board’s July 8, 2013 meeting to determine appropriate next steps, including a modification to the current Code requirement.

Conclusion – Response acknowledged. Chapter 156.10(2) of the Code of Iowa requires the Department to assess an inspection fee. The fee is to be determined by the Department through administrative rule.

Report of Recommendations to the

Iowa Department of Public Health

June 30, 2012

**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:

Tiffany M. Ainger, CPA, Senior Auditor  
Kassi D. Adams, Staff Auditor  
Russell G. Jordan, CPA, Staff Auditor  
Philip A. Rethwisch, Staff Auditor  
Kayley R. Alexander, Assistant Auditor  
Jessica L. Barloon, Assistant Auditor