

**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

July 22, 2016

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, 2015.

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 segregation of duties, 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 <https://auditor.iowa.gov/reports/1660-5880-BR00>.

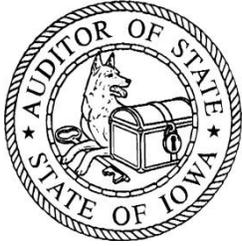
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**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF PUBLIC HEALTH**

**JUNE 30, 2015**

**Iowa Department of Public Health**



**OFFICE OF AUDITOR OF STATE**  
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June 30, 2016

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, 2015.

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 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

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2015

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

**CFDA Number: 93.268 – Immunization Cooperative Agreements**  
**Agency Number: 5H23IP000724-02, 5H23IP000724-03**  
**Federal Award Year: 2014, 2015**

**State of Iowa Single Audit Report Comment: 15-III-HHS-588-2**  
**(2015-011)**

- (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 two instances where cash balances were in excess of \$50,000 for six to eight days. The errors appear to be due to employee oversight.

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 – In one instance, the excess funds were due to a revenue correction which resulted in a surplus of funds. The other instance was due to an inadvertent mistake. The Department considers these isolated incidents. The Department's cash management procedures will be reviewed with staff.

Conclusion – Response accepted.

**CFDA Number: 93.268 – Immunization Cooperative Agreements**  
**Agency Number: 5H23IP000724-02, 5H23IP000724-03**  
**Federal Award Year: 2014, 2015**

**State of Iowa Single Audit Report Comment: 15-III-HHS-588-3**  
**(2015-012)**

- (2) Federal Funding Accountability and Transparency Act 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 did not report subaward information for one subrecipient as required by the Federal Funding Accountability and Transparency Act. The error appears to be due to employee oversight.

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

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2015

Response and Corrective Action Planned – The Department failed to file a Federal Funding Accountability and Transparency Act (FFATA) report for a subrecipient which met the financial threshold as a result of a contractual amendment. The procedures for filing a FFATA report have been discussed with the responsible employee. A monitoring spreadsheet will be created to reflect contractual funding amounts per funding source to assist in the identification of contracts meeting the FFATA threshold.

Conclusion – Response accepted.

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

- (1) 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 maintained a list of assets disposed of on a calendar year basis. However, the listing did not contain the dates of disposal, making it difficult to determine fiscal year cut-off for testing purposes. There was no evidence of approval for two of five assets disposed of tested. In addition, one asset still in use was improperly recorded as a disposal. This was properly adjusted for reporting purposes.
  - (b) Two of twelve assets selected to review the capital asset listing for completeness were not on the Department's listing.
  - (c) The asset listing for the Bioterrorism program is not maintained on a current basis. The capital asset listing does not contain identifying information such as state tag I.D., serial and model number. Depreciation on assets is calculated on a yearly basis rather than being based on the month of acquisition. In addition, two of the twenty-eight additions tested were below the capitalization threshold and were incorrectly capitalized. The assets capitalized in error were properly adjusted for reporting purposes.

Recommendation – The Department should develop written procedures to ensure a detailed, up-to-date capital asset listing is maintained. The listing should include identifying information for each asset, including state tag I.D., serial and model number. Assets should be depreciated beginning with the month of acquisition. A listing of assets disposed of should be maintained and document the dates of disposal. An independent person should review and approve disposals and approval should be documented by the reviewer's signature and date of review on the disposal listing. In addition, the Department should ensure capital assets are capitalized in the correct amounts and in the proper fiscal year.

Response – The Department will revise the guidelines for annual equipment inventory to incorporate specific guidance for purchasing, reporting and disposition of assets. An asset listing form will be developed to provide documentation of required information. The guidelines and form will be disseminated to Department personnel for use throughout the year.

Conclusion – Response accepted.

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2015

**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) Dental Board – Responsibilities for deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts.
  - (b) 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.

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) Dental Board – In August 2015, the Dental Board entered into a resource-sharing agreement with the Medical Board in the area of accounting. A Dental Board staff member maintains the function of recording and accounting for cash receipts. A Medical Board staff member reviews and approves dental board deposits.
- (b) Board of Pharmacy – The Board of Pharmacy has revised its procedures to include defined segregation of duties for opening, processing and approval of cash receipts.

Conclusion – Responses accepted.

- (2) 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 three instances where cash balances were in excess of \$50,000 for seven to seventeen business days for the Maternal, Infant and Early Childhood Home Visiting program (MIECHV).

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.

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2015

Response – In two instances, the excess funds were due to expenditure corrections between program codes. The revenue for those program codes were drawn from two separate federal accounts, so a corresponding revenue correction could not be prepared. The revenue for all program codes under the MIECHV program are now drawn from one federal account and this should not be an issue going forward. The third instance was due to an inadvertent mistake. The current department cash management procedures will be reviewed with staff.

Conclusion – Response accepted.

- (3) Vital Records – The Bureau of Health Statistics, Vital Records, records all vital events occurring in the state, such as births, deaths and marriages. The Bureau registers events and also issues certified copies for vital events. Birth registry documents are received and reconciled in Vital Records and then forwarded to accounting staff for processing and deposit in batches. When the batch is deposited, accounting returns the supporting documentation to Vital Records and it is filed by the name of the hospital where the birth occurred. However, there is no documentation maintained to clearly link the amounts deposited to the supporting documentation. During testing of birth registry fees, we could not locate supporting documentation to test certain deposits.

In addition, there were other vital records transactions selected for testing for which supporting documentation could not be located.

Recommendation – The Department should review procedures to ensure the link between vital record registration fees collected and supporting documentation is clear. Supporting documentation should be retained for all vital record registration fees.

Response – Beginning in July 2015, the staff of the Bureau of Health Statistics began to file all financial documents and supporting reports for certified copies of vital events by the business day the funds were collected within the Bureau. Birth registration fee deposit documents with all supporting reports and documentation are filed by the date reconciled with the Bureau. Vital records staff can now locate all supporting documentation for each deposit using this new filing system.

Conclusion – Response accepted.

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2015

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

- (1) Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2015:
  - (a) Minutes – Chapter 21.3 of the Code of Iowa requires each governmental entity to keep minutes of all meetings. Minutes shall show the results of each vote taken and information sufficient to indicate the vote of each member present. The Board of Public Health minutes did not contain information sufficient to indicate the vote of each member present.
  - (b) Targeted Small Business Procurement Goal – Chapter 73.16 of the Code of Iowa requires the Director of each state agency or department of state government (state agency) having purchasing authority, in cooperation with the Targeted Small Business (TSB) Marketing and Compliance Manager of the Iowa Economic Development Authority (IEDA), to establish a procurement goal for certified targeted small businesses each fiscal year. The procurement goal shall include the procurement of goods and services, including construction, but excluding utility services. The goal shall be stated in terms of a dollar amount and at a level exceeding the procurement levels from certified targeted small businesses during the previous fiscal year.

The TSB procurement goal for the Department for fiscal year 2015 was not set at a level exceeding the fiscal year 2014 actual TSB spending.

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

Responses –

- (a) Effective March 2016, the Board of Public Health minutes are written to reflect votes by noting either the motion was passed unanimously or the specific vote of each board member if the decision is split. Minutes also include the roster of state Board of Public Health members and attendance at each meeting.
- (b) The Department will review and consider previous years actual TSB spending in the determination of the next years targeted small business goal.

Conclusion – Responses accepted.

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2015

**Staff:**

Questions or requests for further assistance should be directed to:

Tammy A. Hollingsworth, CIA, Manager  
Lesley R. Geary, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Ramona E. Daly, Staff Auditor  
Chad C. Lynch, Staff Auditor  
Trent M. Mussmann, Staff Auditor  
Kyle C. Smith, Staff Auditor  
Alex W. Case, Assistant Auditor  
Carolina M. Chavez, Assistant Auditor  
Alex M. Kawamura, Assistant Auditor  
Sarah J. Swisher, Assistant Auditor