



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

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NEWS RELEASE

FOR RELEASE

August 15, 2018

Contact: Andy Nielsen
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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, 2017.

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 cash management and establish written procedures for capital assets and financial reporting. The Department responded corrective action is being implemented.

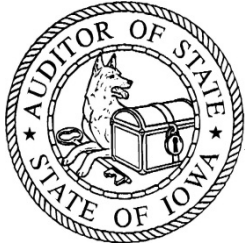
A copy of the report is available for review in the Iowa Department of Public Health, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1860-5880-BR00>.

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

JUNE 30, 2017

Iowa Department of Public Health



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0006

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August 8, 2018

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, 2017.

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 10 and they are available to discuss these matters with you.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

cc: Honorable Kim Reynolds, 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, 2017

Findings Reported in the State's Single Audit Report:

CFDA Number: 93.069 – Public Health Emergency Preparedness

Agency Number: NU90TP000522-05

Federal Award Year: 2017

Prior Year Single Audit Report Finding Number: N/A

**State of Iowa Single Audit Report Comment: 17-III-USDA-588-1
(2017-003)**

(1) Cash Management

Criteria – 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.

Condition – A review of the Department's records identified two instances where cash balances were in excess of \$120,000 for fifty-three to fifty-four days.

Cause – Although procedures have been established to draw federal funds in amounts sufficient to cover current needs, procedures were not followed.

Effect – Failure to follow procedures resulted in Department employees not detecting the error in the normal course of performing their assigned duties.

Recommendation – The Department should 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 the instances resulting in cash balances in excess of \$120,000. The Department experienced significant turnover in staffing as a result of two retirements effective June 30, 2016. Vacancies along with new staff performing cash management procedures resulted in instances of excess cash balances during the fiscal year. Cash management procedures have been reviewed by appropriate staff to ensure compliance in the future.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2017

CFDA Number: 93.994 – Maternal and Child Health Services Block Grant to the States

Agency Number: B04MC28099, B04MC29343, B04MC30613

Federal Award Year: 2015, 2016, 2017

Prior Year Single Audit Report Finding Number: N/A

**State of Iowa Single Audit Report Comment: 17-III-USDA-588-6
(2017-006)**

(2) Cash Management

Criteria – 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.

Condition – A review of the Department’s records identified two instances where cash balances were in excess of \$150,000 for thirteen to twenty-nine days.

Cause – Although procedures have been established to draw federal funds in amounts sufficient to cover current needs, procedures were not followed.

Effect – Failure to follow procedures resulted in Department employees not detecting the error in the normal course of performing their assigned duties.

Recommendation – The Department should 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 the instances resulting in cash balances in excess of \$150,000. The Department experienced significant turnover in staffing as a result of two retirements effective June 30, 2016. Vacancies along with new staff performing cash management procedures resulted in instances of excess cash balances during the fiscal year. Cash management procedures have been reviewed by appropriate staff to ensure compliance in the future.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2017

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

(1) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the State's financial statements.

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

Condition – Prepaid expenses were understated by \$897,794. This was properly adjusted for reporting purposes. In addition, accounts receivable were understated by \$105,764.

Cause – Policies have not been established and procedures have not been implemented to require an independent review of year-end cut-off transactions to ensure the State's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in Department employees not detecting the error in the normal course of performing their assigned functions.

Recommendation – The Department should establish procedures to ensure all prepaid expenses and accounts receivable are identified and properly reported in the GAAP package.

Response – The Department has reviewed the prepaid and receivable omissions with appropriate staff. The Department has noted the prepaid and receivables omissions in reporting and will ensure future GAAP reporting is accurate.

Conclusion – Response accepted.

(2) Capital Assets

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the State's financial statements.

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.

Condition – For the governmental type, capital assets, machinery, equipment and vehicles additions were understated by \$483,692 and accumulated depreciation additions for machinery, equipment and vehicles were understated by \$119,916.

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June 30, 2017

Cause – Policies have not been established and procedures have not been implemented to require an independent review of capital asset additions to ensure they are properly capitalized.

Effect – Lack of policies and procedures resulted in Department employees not detecting the errors in the normal course of performing their assigned functions.

Recommendation – The Department should develop written procedures to ensure capital assets are capitalized in the correct amounts.

Response – Due to an oversight, a correction to the capital asset and related accumulated depreciation amounts that occurred after the GAAP Package was originally submitted was not reported. Capital asset procedures have been reviewed with the appropriate Department staff.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

(1) Cash Management – Special Supplemental Nutrition Program for Women, Infants and Children

Criteria – 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.

Condition – A review of the Department's records identified seven instances where cash balances were in excess of \$200,000 for six to fifty-eight days for the program.

Cause – Although procedures have been established to draw federal funds in amounts sufficient to cover current needs, procedures were not followed.

Effect – Failure to follow procedures resulted in Department employees not detecting the error in the normal course of performing their assigned duties.

Recommendation – The Department should 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 – The Department has reviewed the instances resulting in cash balances in excess of \$200,000. It was identified during the fiscal year 2016 audit that excessive cash balances carried into fiscal year 2017. Proper correcting entries were made to resolve the excess balance in May 2017. Cash balances have been reviewed through February 2018 and no further instances of excess cash balances have been identified.

Conclusion – Response accepted.

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(2) Cash Management – Block Grants for Prevention and Treatment of Substance Abuse

Criteria – 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.

Condition – A review of the Department’s records identified one instance where the cash balance was in excess of \$200,000 for twenty-four days for the program.

Cause – Although procedures have been established to draw federal funds in amounts sufficient to cover current needs, procedures were not followed.

Effect – Failure to follow procedures resulted in Department employees not detecting the error in the normal course of performing their assigned duties.

Recommendation – The Department should 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 – The Department has reviewed the instance resulting in cash balances in excess of \$200,000. The Accountant II position primarily responsible for cash management procedures was vacant for approximately five months during the period the instance was noted. This critical vacancy resulted in delays in document processing time and contributed to the instance of excessive cash balance. Cash management procedures have been reviewed by appropriate staff to ensure compliance. Cash balances have been reviewed through February 2018 and no other instances of excess cash balances have been identified.

Conclusion – Response accepted.

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June 30, 2017

Finding Related to Statutory Requirements and Other Matters:

Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2017:

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 2017 was not set at a level exceeding the fiscal year 2016 actual TSB spending.

Recommendation – The Department should take the necessary steps to comply with the Code of Iowa or seek legislation to change this statutory requirement.

Response – The Department has reviewed Chapter 73.16 of the Code of Iowa and has modified procedures to ensure TSB procurement goals are set at a level exceeding the previous fiscal year actual TSB spending. The Department set the fiscal year 2018 TSB procurement goal at \$1,015,000 which exceeds the fiscal year 2017 actual TSB spending of \$1,013,912.19. The Department anticipates this finding will be considered resolved during the fiscal year 2018 audit period.

Conclusion – Response accepted.

Report of Recommendations to the
Iowa Department of Public Health

June 30, 2017

Staff:

Questions or requests for further assistance should be directed to:

Tammy A. Hollingsworth, CIA, Manager
Anthony M. Heibult, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Sarah J. Swisher, Senior Auditor
Ian N. Judson, Staff Auditor
McKenzie M. Anderson, Assistant Auditor
Michaela M. Goergen, Assistant Auditor
Elin M. Landgren, Assistant Auditor
Taryn M. Plunkett, Assistant Auditor