



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

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NEWS RELEASE

FOR RELEASE

September 11, 2018

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released a report on the Iowa Department of Transportation for the year ended June 30, 2017.

The Department is responsible for planning, developing, regulating and improving the State of Iowa's transportation system to provide and preserve adequate, safe and efficient transportation services.

Mosiman recommended the Department implement procedures to improve controls over uniform purchases and purchasing card transactions. In addition, the Department should improve controls over motor carrier services adjustments. Also, although the Department makes a digital copy of certain invoices and supporting documentation, the Department should develop procedures to ensure the original supporting documentation is retained for one year beyond the fiscal year end as required. The Department's responses to the recommendations are included in the report.

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

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF TRANSPORTATION**

JUNE 30, 2017

Iowa Department of Transportation



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September 7, 2018

To Mark Lowe, Director of the Iowa Department of Transportation:

The Iowa Department of Transportation 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 findings pertaining to the Department's internal control and statutory compliance 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 Transportation'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 Transportation, citizens of the State of Iowa and other parties to whom the Iowa Department of Transportation 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 7 and they are available to discuss these matters with you.


MARY MOSIMAN, CPA
Auditor of State

cc: Honorable Kim Reynolds, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2017

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

- (1) Motor Vehicle Division Uniform Purchases – The Motor Vehicle Division (MVD) purchases clothing appropriate for personal use as uniforms from local and online retail vendors rather than through a contract as required by Department policy 100.04.

Recommendation – The Department should establish a written contract with a vendor for clothing purchases considered to be a uniform in accordance with DOT policy 100.04.

Response – The Department signed a contract with a vendor in October 2017.

Conclusion – Response accepted.

- (2) Purchase Card (P-card) Transactions – The Department utilizes p-cards for use by employees for Department business. Department policy requires, original receipts for all purchases and transactions should be properly recorded and be for a public purpose.

Certain transactions were coded incorrectly, certain transactions did not have proper support and the public purpose of one transaction for \$31 was not documented.

Recommendation – The Department should ensure all purchases are properly recorded, have a documented public purpose and are properly supported.

Response – The Department will provide additional training to ensure all purchases are properly recorded, supported and have a clear public purpose documented.

Conclusion – Response accepted.

- (3) Motor Carrier Services Adjustments – The Department collects trip permit fees for oversize and overweight vehicles that drive along state owned interstate and US and Iowa highways. When an employee voids a trip permit they fill out a status worksheet and describe why the trip permit is voided. For no charge adjustments, a description is not required.

Also, the Department prepares a report of all voided and no charge invoices and performs a monthly review of the voided and no charge adjustments, however, there is no evidence of the review.

Recommendation – To strengthen controls, the Department should implement procedures to ensure explanations are required for all adjustments. Also, an independent person should review the voided and no charge adjustments report and document the review by signing or initialing and dating the report.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2017

Response – The Department completed a work order in spring of 2017 to modify IAPS software to require comments on all “no charge” and voided permits and it has been implemented.

The Department has also implemented independent review of voided and no charge adjustments reports. Beginning August 2018, Motor Carrier Services will ensure that documentation of that review is maintained.

Conclusion – Response accepted.

- (4) Original Supporting Documentation Retention – The Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) requires Departments to scan and upload original invoices in order to process payments. The DAS-SAE Electronic Content Management (ECM) manual requires Departments to maintain original documentation for one year beyond the fiscal year end for which payment applies.

Certain invoices are scanned at Department office locations and the Department has notified those office locations to retain original supporting documentation until the invoice is paid and do not require them to retain original supporting documentation for one year beyond the end of the fiscal year as required by DAS-SAE Electronic Content Management manual.

Additionally, the Department has not developed written policies and procedures to implement DAS-SAE invoice electronic content management.

Recommendation – The Department should establish written procedures to ensure original supporting documentation is retained as required by DAS-SAE.

Response – The Department distributed written communication to all offices in October 2017 providing guidance on the scanning of original invoices and acceptance of receiving vendor invoices electronically. Department policies and procedures have now been drafted and are in the process of being finalized to ensure adequate documentation is maintained to support payment.

Conclusion – Response acknowledged. Department policies and procedures should ensure original supporting documentation is retained for one year beyond the fiscal year end as required by DAS-SAE.

June 30, 2017

Finding Related to Statutory Requirements and Other Matters:

Targeted Small Businesses – 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 fiscal year 2016 actual TSB spending.

Recommendation – The Department should establish a dollar amount procurement level exceeding the previous fiscal year actual targeted small businesses procurements or seek Legislation to change this statutory requirement.

Response – The Department increased its stated goal and submitted the required reports as directed and approved by Iowa Department of Economic Development Authority (IDEA).

The Department is a large participant in the Targeted Small Business program for the State of Iowa, reporting \$31.2 million in expenditures for fiscal year 2018, exceeding the stated goal of \$19.5 million. The Department has averaged over \$30.8 million in expenditures over the last 4 years. We will contact IDEA to discuss alternative language in establishing goals when entities participate with high expenditure levels.

Conclusion – Response acknowledged. The established goal was an increase over the prior year goal, not the prior year actual targeted small business procurements, as required.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2017

Staff:

Questions or requests for further assistance should be directed to:

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