



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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To: Members of the Administration and
Regulation Appropriations Subcommittee

From: David A. Vaudt

Date: February 25, 2009

Subject: Responses to Subcommittee Questions

Thank you for the opportunity to discuss our Office's budgetary needs and concerns for the upcoming fiscal year. At the meeting on February 5th, several members requested additional information which we are providing in this memo. The requested information is as follows:

1) *List of special audits issued since January 1, 2007.*

Attached is a summary of the 39 special audits issued by this Office between January 1, 2007 and February 13, 2009. The summary provides the total cost to conduct each special audit and the portion of that total cost which was billed to the audited entity, paid from filing fees received from local governments or written off. Filing fees are legislatively authorized fees paid by local governments when they file audit reports with this Office. The filing fees are restricted by law for use by this Office in performing reviews of audits performed by CPA firms or for performing reaudits of financial transactions which have previously been audited, usually by CPA firms, such as when previously audited transactions are investigated as part of a special (embezzlement) audit. Costs which are written off are typically the result of the audited entity not having sufficient financial resources to pay the cost of the audit, usually because most of their funds have been misappropriated.

When performing special audits, it is generally not possible to quickly determine how many different ways money may have been misappropriated or to effectively determine how much may have been misappropriated. To a large extent this is due to a lack of adequate records, either because the records were never maintained or they were maintained but are no longer available for review. Therefore, it may be necessary to investigate a number of possible misappropriation methods which may or may not result in a finding of misappropriation. While this process can result in audit costs exceeding the amount of total findings, the procedures are necessary to provide government officials and taxpayers assurances as to the magnitude of the misappropriation, or the lack thereof. Government officials and taxpayers also benefit from the recommendations included in each special report to strengthen internal controls and overall operations. If you would like to review any or all of these special audits, the complete reports are available for review on our website at <http://auditor.iowa.gov/specials/specials.htm>.

2) *The cost of the CIETC audit and how it was paid for.*

The special investigation performed on CIETC which resulted in our report dated March 29, 2006 cost \$49,351.52 and was billed to and paid for by Workforce Development.

3) *Billing Rate Analysis.*

For the audit work performed by this Office during the five most recent fiscal years, the amount the Office reverted ranged from a high of 7.8 cents per audit hour for fiscal year 2006 to a low of 0.4 cents per audit hour for fiscal year 2004. To provide some perspective, the amount reverted for fiscal year 2006 represented .13% of the average billing rate and the amount reverted for fiscal year 2004 represented .007% of the average billing rate. An audited entity which was billed for 1,000 hours of audit work for fiscal year 2006 would have saved approximately \$78 if our billing rates resulted in no reversion for the fiscal year and an audited entity which was billed for 1,000 hours of audit work for fiscal year 2004 would have saved approximately \$4 if our billing rates resulted in no reversion for the fiscal year. Based on this analysis, you can see our estimated hourly rates are very accurate. As a result, no agency was harmed because our billing rates were too high.

If you have additional questions or concerns, please contact Warren Jenkins, my Chief Deputy, or me.

Office of Auditor of State
 Reports of Special Investigations Issued from January 1, 2007 through February 13, 2009

Entity or Program	Date Issued	Amount Billed	Amount Paid from Filing Fees	Amount Written Off	Total Cost of Audit	Findings-Improper/Questionable Disbursements	Findings-Improper/Undeposited/Uncollected Revenue	Total Findings
Camp Adventure Program at University of Northern Iowa	2/2/2009	\$45,115	-	-	\$45,115	\$19,434	-	\$19,434
Cedar Rapids Veterans Memorial Commission and Valor, Inc.	1/22/2009	\$17,372	-	\$6,717	\$24,089	\$15,200	-	\$15,200
Fairfield Parks and Recreation Department	1/12/2009	\$8,770	\$21,673	-	\$30,443	-	\$12,505 plus additional amounts that could not be determined	\$12,505
City of Hazelton	1/09/2009	-	-	\$2,896	\$2,896	\$215	Indeterminate	\$215
City of Halbur	12/5/2008	\$25,407	-	\$247	\$25,654	\$282,802	\$8,888	\$291,690
City of Macedonia	11/21/2008	\$9,965	-	\$113	\$10,078	\$37,097	-	\$37,097
City of Durant	10/17/2008	\$8,010	\$5,445	-	\$13,455	\$33,180	-	\$33,180
West Marshall Community School District	10/1/2008	\$3,216	-	\$7,068	\$10,284	\$84,341	-	\$84,341
Perry High School	9/23/2008	\$10,000	\$28,432	-	\$38,432	-	Indeterminate	-
Sigourney Community School District	9/15/2008	-	\$34,784	-	\$34,784	-	Indeterminate	-
City of Vinton Parks and Recreation Department	9/15/2008	\$10,002	\$28,855	\$4,606	\$43,463	\$24	\$65,656	\$65,680
Upper Des Moines Opportunity, Inc.	9/8/2008	\$5,963	-	\$36,860	\$42,823	\$15,000	\$19,346	\$34,346
City of Grinnell Police Department	8/13/2008	\$7,999	-	\$4,825	\$12,824	-	\$13,875	\$13,875
City of Searsboro	7/23/2008	-	-	\$38,814	\$38,814	\$56,844	\$36,730	\$93,574
Woodbury County Sheriff's Office	6/23/2008	-	\$2,855	-	\$2,855	Report discloses vacations not recorded and time without pay not taken.		
City of Schleswig	5/22/2008	\$12,583	\$31,819	\$10,424	\$54,826	\$14,275	\$52,613	\$66,888
City of Center Point Library	5/16/2008	\$4,990	\$8,511	-	\$13,501	\$965	\$2,525	\$3,490
City of Mingo	4/22/2008	\$10,980	-	\$30,408	\$41,388	\$37,442	\$14,498	\$51,940
Burlington High School	4/17/2008	\$8,991	\$7,794	\$5,199	\$21,984	\$14,202	\$12,375	\$26,577

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Area XV Regional Planning Commission	4/1/2008	-	\$76,406	-	\$76,406	Report discloses timesheets were altered and lack of support for time and hourly rates billed to cities for administering CDBG projects. Twenty-one cities were overbilled by \$91,177.		
City of Postville	3/14/2008	\$8,771	\$32,096	-	\$40,867	\$91,594	-	\$91,594
Hardin County Solid Waste Disposal Commission	3/11/2008	\$7,982	\$21,381	\$538	\$29,901	\$38,730	\$89,201	\$127,931
City of Rathbun	2/15/2008	-	-	\$10,094	\$10,094	\$6,976	\$12,123	\$19,099
Monona County Engineer's Office	1/9/2008	\$6,386	\$20,101	\$652	\$27,139	\$4,330	\$1,250	\$5,580
Fifth and Eighth Judicial Districts Department of Correctional Services	11/19/2007	\$8,963	-	\$7,357	\$16,320	-	\$4,194 plus additional amounts that could not be determined	\$4,194
City of Clearfield	11/9/2007	\$7,920	-	\$7,486	\$15,406	\$8,468	\$4,169	\$12,637
Haverhill Volunteer Fire Department	10/19/2007	-	-	\$8,186	\$8,186	\$15,144	\$6,223	\$21,367
City of Gravity	10/8/2007	\$300	-	\$12,605	\$12,905	\$8,446	\$5,149	\$13,595
City of Mystic	8/14/2007	\$4,825	-	\$9,423	\$14,248	\$552	\$6,681	\$7,233
City of Riverdale	8/2/2007	-	-	\$23,203	\$23,203	Report addresses responses to specific concerns from a group of citizens.		
Dallas County Mental Health Advocate	7/12/2007	\$8,101	\$23,143	\$665	\$31,909	\$5,393 plus additional amounts that could not be determined	-	\$5,393
Three Rivers Independent Living Corporation	6/28/2007	\$8,000	-	\$7,344	\$15,344	\$38,233	-	\$38,233
Crawford County Conservation Department	5/31/2007	\$7,845	-	\$3,568	\$11,413	-	\$32,598	\$32,598
City of McCausland	5/22/2007	\$26,622	-	\$4,233	\$30,855	\$176,824	\$10,716	187,540
Dallas County Jail	5/17/2007	-	\$12,752	-	\$12,752	-	\$8,293	\$8,293

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Bear Creek Narcotics Task Force	4/17/2007	\$3,211	-	\$1,691	\$4,902	\$715	-	\$715
Washington Community School District	4/4/2007	-	\$38,126	-	\$38,126	\$14,883	\$2,695	\$17,578
City of Sandyville	2/2/2007	-	-	\$17,125	\$17,125	-	\$26,446	\$26,446
Kennedy High School in Cedar Rapids	1/16/2007	-	\$28,030	-	\$28,030	\$7,039	\$12,211	\$19,250
Grand Totals		\$288,289	\$422,203	\$262,347	\$972,839	\$1,028,348	\$460,960	\$1,489,308

Note: All reports include recommendations to strengthen internal controls and overall operations.