



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

November 2, 2023

Auditor of State Rob Sand today released a report on the Iowa Department of Administrative Services for the year ended June 30, 2021.

The Iowa Department of Administrative Services is mandated by statute to provide services to other state agencies. To fulfill this responsibility, the Department is structured into the General Services Enterprise (GSE), the Human Resources Enterprise (HRE), the State Accounting Enterprise (SAE) and the Central Procurement and Fleet Services Enterprise (CPFSE).

AUDIT FINDINGS:

Sand reported two findings related to the Department. The findings are on pages 3 through 5 of this report. Sand recommended that additional procedures should be implemented to review the GAAP package and segregate the duties of Human Resource Associates.

Management of the Iowa Department of Administrative Services has a fiduciary responsibility to provide oversight of the Department's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" management exercises in its fiduciary capacity.

A copy of the report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF ADMINISTRATIVE SERVICES**

JUNE 30, 2021

Iowa Department of Administrative Services



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Rob Sand
Auditor of State

October 9, 2023

Iowa Department of Administrative Services
Des Moines, Iowa

To Adam Steen, Director:

I am pleased to submit to you this Report of Recommendations for the Iowa Department of Administrative Services for the year ended June 30, 2021. The report includes findings pertaining to the Department's internal control and compliance with statutory requirements and other matters which resulted from the fiscal year 2021 audit.

I appreciate the cooperation and courtesy extended by the officials and employees of the Iowa Department of Administrative Services throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Iowa Department of Administrative Services



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October 9, 2023

To Adam Steen, Director of the
Iowa Department of Administrative Services:

The Iowa Department of Administrative Services is a part of the State of Iowa and, as such, has been included in our audits of the State's Annual Comprehensive Financial Report (ACFR) and the State's Single Audit Report for the year ended June 30, 2021.

In conducting our audits, we became aware of 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 pertain 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 conclusion on the Department's responses, we did not audit the Iowa Department of Administrative Services' 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 Administrative Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Administrative Services 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.

A handwritten signature in cursive script, appearing to read "Ernest H. Ruben, Jr.".

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

cc: Honorable Kim Reynolds, Governor
Kraig Paulsen, Director, Department of Management
Tim McDermott, Director, Legislative Services Agency

Report of Recommendations to the
Iowa Department of Administrative Services

June 30, 2021

Findings Reported in the State's Single Audit Report:

No matters were reported.

Finding 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.

Departments record 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. Departments submit their GAAP packages to DAS-SAE by the first week of September each year.

Condition – The following conditions were noted:

- (a) The Iowa Department of Administrative Services and the Iowa Department of Management are responsible for the issuance of the Annual Comprehensive Financial Report. The DAS-SAE GAAP Team compiles I/3 system activity and activity reported in each Department's GAAP package in preparation of the State of Iowa's financial statements. Material amounts of cash, accounts receivable, inventory, prepaid expenses, capital assets, accounts payable, unearned revenues, compensated absences, revenues, expenditures and various related footnote disclosures were not properly reflected in the State's financial statements. Adjustments were subsequently made by the GAAP Team to properly report these amounts in the State of Iowa's audited financial statements.
- (b) The Department reported receivables of \$1,759,578 in an incorrect fund. The receivables were incorrectly reported in the Capital Project fund rather than the General Fund, where the project was expended and where a corresponding state agency had also reported the receivable. This was properly adjusted for reporting purposes.
- (c) Receivables reported in the general fund were overstated by \$1,138,757. This was properly adjusted for reporting purposes.
- (d) Unearned revenues and corresponding prepaid expenses related to capital projects were understated by \$208,217.

Cause – Although policies and procedures exist to require review of I/3 system and activity reported in the GAAP packages, the review did not identify the misstatements.

Although policies and procedures are in place to review GAAP package information, the review did not identify the misstatements.

Report of Recommendations to the
Iowa Department of Administrative Services

June 30, 2021

Effect – For the Annual Comprehensive Financial Report (ACFR), the amounts reported as cash, accounts receivables, inventory, prepaid expenses, capital assets, accounts payable, unearned revenue, compensated absences, revenues, expenditures and various related footnote disclosures were misstated requiring adjustments to the financial statements.

The amounts reported as receivables, unearned revenue and prepaid expenses by the Department were misstated.

Recommendation – Additional policies and procedures should be implemented to ensure accurate financial statements.

The Department should implement additional procedures to ensure information reported to DAS-SAE on the GAAP package is accurate.

Response – The GAAP Team will strive to reduce the number of errors during the preparation of the State of Iowa financial statements.

The Department has added an additional review step of GAAP packages. We continue to develop procedures to ensure proper reporting is in place.

Conclusion – Responses accepted.

(2) Payroll

Criteria – Departments process and record payroll and personnel information in the Human Resource Information System (HRIS). The Human Resource Associates (HRA) utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises.

Condition – Six individuals within the Department have the ability to initiate and approve P-1 documents. For the period July 1, 2020 through March 10, 2021, two P-1 documents were initiated and received department level approval by the same person.

Cause – Although policies and procedures have been established to require a quarterly review of P-1 documents with approvals completed by the same individual, the review was not completed for fiscal year 2021.

Effect – The Department's lack of independent quarterly review of P-1 documents could adversely affect the Department's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – To strengthen controls, the Department should develop and implement procedures to segregate the duties of the HRA from the duties of payroll. The Department should obtain a listing to verify Department approvals of P-1 documents are being applied appropriately. This report should be independently reviewed on a timely basis.

Report of Recommendations to the
Iowa Department of Administrative Services

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Response – Department of Administrative Services – Human Resources Enterprise (DAS-HRE) had requested a replacement report from the Office of the Chief Information Officer. The DAS HRA Team Leader and Bureau Chief received the first report beginning July 2021, from HRIS, to audit the levels of approval. The final reports from the legacy HRIS system to review were received on September 28, 2021.

The State of Iowa has transitioned to a new HRIS, Workday. The transition to Workday was effective September 17, 2021. The security roles in Workday have distinct tasks associated with each role. There are multiple roles in Workday, including HR Partner, HR Specialist and Payroll Partner. The Workday business processes are designed to not allow an employee to approve a transaction at multiple levels. We are working with Workday to design a report to audit the function.

Conclusion – Response accepted.

Report of Recommendations to the
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June 30, 2021

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the
Iowa Department of Administrative Services

June 30, 2021

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Deputy
Katherine L. Rupp, CPA, Manager
Cole L Hocker, CPA, Manager
Ethan M. Snedigar, Senior Auditor

Other individuals who participated in the audits include:

Adjoa S. Adanledji, CPA, Senior Auditor II
Brett S. Gillen, CPA, Senior Auditor
Noelle M. Johnson, Senior Auditor
Molly N. Kalkwarf, Senior Auditor
Zachary T. Shaw, Senior Auditor
Ronica H. Drury, Staff Auditor
Enoch D.N. Duval, Staff Auditor
Jared M. Ernst, CPA, Staff Auditor
Joseph G. Timmons, Staff Auditor
Matthew R. Baumhover, Assistant Auditor
Matthew W. Beerman, Assistant Auditor
Brett A. Logsdon, Assistant Auditor
Sebastian Avalos, Audit Intern
Ireland G. Knapper, Audit Intern