



AUDIT REPORT - DEPARTMENT OF ADMINISTRATIVE SERVICES

Audit Report Released. The Auditor's Office recently released a report regarding the Department of Administrative Services (DAS) for the year ended June 30, 2014.

Financial Reporting. The Generally Accepted Accounting Principles (GAAP) package is required to be submitted to the DAS-State Accounting Enterprise (SAE) by the first week of September each year. The audit found that accounts payable had been understated by \$1,579,363 and that \$85,545 in the GAAP package had been recorded in the wrong fund. Both findings were properly adjusted for reporting purposes.

- **Recommendation.** The DAS should ensure that the GAAP package information is reported completely and accurately.
- **Response.** The DAS agrees with the recommendation. The DAS-SAE Payroll Accountant has set up an annual reminder to confirm that the Wellmark Standard Assessment annual billing has been received, paid, and recorded in a timely manner under the proper fiscal year. The annual billings do not arrive from the vendor on a regularly recurring set schedule; however, the DAS-SAE will work with the vendor to see if a set schedule can be agreed upon. In addition, changes made to the GAAP package information did not go through the two-step review process; however, the DAS states this will be changed going forward.
- **Conclusion.** The Auditor's Office accepted the DAS response.

Purchasing Billing Rates. The Customer Council, under the authority of the Department of Management (DOM), reviews the DAS utility rates, establishes a rate methodology, and approves rates to be billed to all state agencies for services provided by the DAS. Rates include a purchasing utility administrative fee for the procurement of goods and services used by and on behalf of state agencies. The fee is an allocation based on the percentage of the usage of Master Agreements. The DAS received rebates from vendors and the savings are passed on in the form of a rate reduction and rebate based on the same allocation used for the purchasing administrative fee. During testing, the Auditor's Office found that certain agencies were billed incorrect amounts for the purchasing utility. In addition, the allocation for the FY 2014 rebate was incorrectly calculated from the FY 2013 rates.

- **Recommendation.** The DAS should review rates billed to customers to ensure that only approved rates are used. Rebates should be reviewed to ensure that agencies receive rebates using the same allocation percentages used to calculate purchasing utility billing rates for the corresponding fiscal year.
- **Response.** The DAS agrees with the recommendation. A new process has been implemented to verify the information submitted for the DAS Utility Service Rates against the monthly billing file in the eDAS system. This ensures that the file processed for billing agrees with the agency total on the submitted file. The methodology used to determine the allocation of a rebate to customers is based on the usage of the service in the fiscal year in which the rebate will be provided. The rebate is credited to agencies through the eDAS system on the agency's monthly billing. This process was not followed in FY 2014 when the rebate for purchasing was calculated. Future rebates will be calculated following the new process.
- **Conclusion.** The Auditor's Office accepted the DAS response.

More Information. The audit report is available on the Auditor of State's website at:
https://auditor.iowa.gov/sites/default/files/audit_reports/1560-0050-BR00.pdf.

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