



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

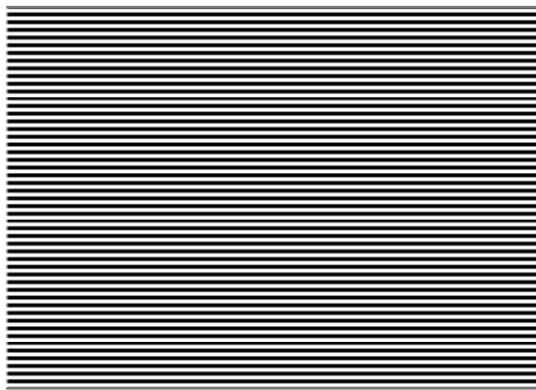
FOR RELEASE _____ July 14, 2004 _____ Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Department of Transportation for the year ended June 30, 2003.

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.

A copy of the report is available for review in the Office of Auditor of State and the Iowa Department of Transportation.

###



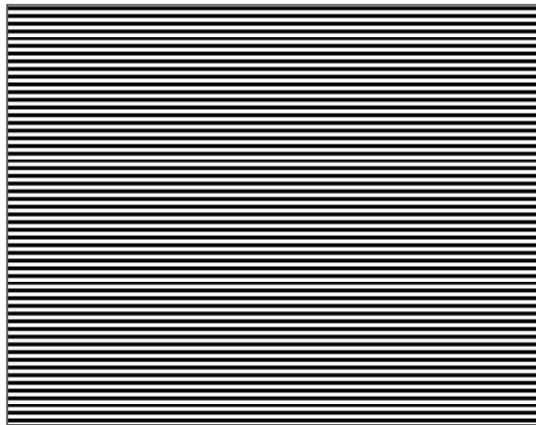
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF TRANSPORTATION**

JUNE 30, 2003

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State





OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

March 3, 2004

To Mark F. Wandro, 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, 2003.

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, as well as other recommendations pertaining to the Department's internal control. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report.

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.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Cynthia P. Eisenhauer, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the Iowa Department of Transportation

June 30, 2003

Findings Reported in the State's Single Audit Report:

CFDA Number 20.205 – Highway Planning and Construction

Agency Number: None

Federal Award Year: 2003

State of Iowa Single Audit Report Comment: 03-III-DOT-645-1

- (1) Davis-Bacon Act – Farm to Market Projects – The Department pays contractors directly for Farm to Market (FM) projects and, therefore, is responsible for compliance with federal requirements. The responsibility for compliance with federal requirements related to the Davis-Bacon Act has been delegated to the County Engineer who is the contracting authority for these projects.

The Department relies on the final audit procedures performed by Transportation District personnel at the completion of a project to ensure the Davis-Bacon requirements are being met. Documentation of final audit procedures performed by Transportation District personnel is not always specific enough to indicate if compliance with Davis-Bacon requirements has been determined.

The Department began developing written procedures for determining and documenting compliance with Davis-Bacon requirements for federally participating FM projects during fiscal year 2002 and fiscal 2003 and implemented the procedures July 1, 2003.

Recommendation – The Department should monitor performance to ensure the newly implemented procedures are correctly understood and followed.

Response and Corrective Action Planned – The Department will monitor performance to ensure that the procedures implemented July 1, 2003 are understood and followed.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2003

CFDA Number 20.205 – Highway Planning and Construction

Agency Number: None

Federal Award Year: 2003

State of Iowa Single Audit Report Comment: 03-III-DOT-645-2

- (2) Subrecipient Monitoring – OMB Circular A-133 requires the pass-through entity to be responsible for monitoring the activities of the subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations, and provisions of the contract or grant. A total of \$56,405,926 was passed on to cities and counties in fiscal year 2003

The Department monitors subrecipients through final audits performed by Transportation District personnel at the completion of a project. The final audits are not consistently documented and do not include several of the applicable federal compliance requirements.

The Department began developing written procedures for monitoring subrecipients' compliance with applicable federal requirements during fiscal year 2002 and fiscal year 2003 and implemented the procedures July 1, 2003.

Recommendation – The Department should monitor performance to ensure the newly implemented procedures are correctly understood and followed.

Response and Corrective Action Planned – The Department will monitor performance to ensure that the procedures implemented July 1, 2003 are understood and followed.

Conclusion – Response accepted.

Findings Related to Internal Control:

- (1) Receipts Control – All mail receipts at the Department's Park Fair Mall offices (Motor Vehicle Enforcement, Vehicle Services, Drivers Services and Motor Carrier Services) are opened in the centralized mail room, sent to the individual offices for processing and then delivered to a central location for deposit. Checks are not restrictively endorsed until just prior to being deposited.

Recommendation – The Department should implement procedures to ensure restrictive endorsements are placed on checks immediately upon receipt.

Response – The Office of Finance will work with these offices to implement the appropriate procedures by June 30, 2005.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2003

- (2) Control Over Payments to Regional Transit Authorities – The Department’s Office of Public Transit (OPT) administers both state and federal financial assistance to Iowa’s 16 regional transit authorities (RTA). Funds are allocated to the RTAs based on transit operating reports submitted to OPT. For example, 2003 funds were allocated based on the 2001 data received from all the RTAs.

OPT routinely performed desk reviews of the RTA transit operating reports to verify compliance with funding eligibility policies and to ensure fair distribution of funds across the various groups. The desk reviews consisted of comparing the current year reports to prior year reports and with reports of organizations providing similar services.

The Southeast Iowa Regional Transit Authority (RTA XVI) provided regional transit services for Des Moines, Henry, Lee and Louisa counties. In the summer of 2003, the Fort Madison City Administrator alerted state and federal authorities that data regarding ridership and miles driven on the invoices the City received from RTA XVI did not agree with the data RTA XVI reported to OPT. Ridership and miles driven were overstated on the reports submitted to OPT.

OPT, in cooperation with the Federal Transit Administration and RTA XVI, performed a special review of RTA XVI transit operating reports for the last five years (fiscal years 1999 to 2003). OPT requested that RTA XVI recompile the reports for those years and then verified the information by comparing it to trip sheets for randomly selected months. Expense and revenue figures on the reports were also reviewed.

As a result of the review, RTA XVI was required to repay \$31,291 of federal funds and \$180,461 of state funds. The repaid funds will be redistributed to the other eligible regional transit authorities, based on corrected RTA XVI data.

Recommendation – The Office of Public Transit should develop policies and procedures to expand the review of transit operating reports to include a comparison of selected report data to trip sheets or other relevant source documentation. All RTA’s should be subject to review on a test basis that is not predictable by regional transit authorities.

Response – The Office of Public Transit has created a policy for transit system reviews which was announced at the Iowa Public Transit Association conference in June. The Office plans to conduct on-site reviews at two transit agencies in September of 2004. Each year two transit agencies will be selected and the Iowa DOT Transit Program Administrator will lead the reviews. The Office of Public Transit has already selected the transit agencies to be reviewed in 2004, but will not announce the names until two weeks before the reviews are scheduled.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2003

Staff:

Questions or requests for further assistance should be directed to:

Kay F. Dunn, CPA, Manager
Ruth H. Hill, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Steven O. Fuqua, CPA, Senior Auditor
Daniel L. Durbin, CPA, Staff Auditor
Julie J. Lyon, CPA, Staff Auditor
Jason R. Matter, Staff Auditor
Sarah M. Wright, Staff Auditor
Elvir Alicic, CPA, Assistant Auditor
Stephanie A. Bernard, Assistant Auditor
Curtis J. Schroeder, Assistant Auditor