



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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David A. Vaudt, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____

July 15, 2005

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, 2004.

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.

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

JUNE 30, 2004

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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July 7, 2005

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, 2004.

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 pertaining to the Department's internal control, statutory requirements and other matters. 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 6 and they are available to discuss these matters with you.

A handwritten signature in black ink, reading "David A. Vaudt".

DAVID A. VAUDT, CPA
Auditor of State

A handwritten signature in black ink, reading "Warren G. Jenkins".

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the Iowa Department of Transportation

June 30, 2004

Findings Reported in the State's Single Audit Report:

None

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.

Conclusion – Response accepted.

- (2) Office of Vehicle Services Receipts Control – Mail room employees at Park Fair Mall open mail and distribute the applications and cash/checks to the Dealer, Aircraft and Special Plates (DASP) personnel. DASP personnel presort mail by type of fee and give it to Office of Vehicle Services (OVS) audit/accounting staff to enter receipts into the cash drawer system. After entering into the cash drawer system, OVS personnel prepare the deposit and return applications to DASP staff to process. No receipt log is prepared by DASP staff and no reconciliation is done between applications processed and receipts entered into the cash drawer system.

Recommendation – The Department should strengthen the process by preparing a receipt log that can be used in reconciling money received with applications processed and receipts deposited/entered into the cash drawer system.

Response – The Office of Finance will meet with Motor Vehicle Division staff to discuss developing a receipt log that can be used for reconciliation purposes.

Conclusion – Response accepted.

- (3) Drivers License Examiner Lack of Segregation of Duties – The drivers license examiner (or senior drivers license clerk) at field offices can reconcile cash drawers, compare totals to "before" transmittal, send "final" transmittal to the Department's on-line system, prepare the bank deposit and take the deposit to the bank. Also, the "before" and "final" transmittals are reviewed on-screen and are not printed out and signed. Therefore there is no documentation identifying which examiner reviewed or sent the transmittal. The on-line system does not include initials or user ID of the examiner on-screen.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, field offices should review operating procedures to obtain the maximum internal control possible under the circumstances. Also, employees should sign or initial and date each duty performed to identify the employee performing that task.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2004

Response – The Office of Finance will meet with Motor Vehicle Division staff to discuss segregation of duties and the appropriate actions to take for improvement.

Conclusion – Response accepted

- (4) Equipment Disposals – The Office of Equipment Support (OES) is responsible for equipment disposals. Two OES approvals are required to dispose of equipment, but two OES employees are authorized to apply both approvals. In that case, a supervisor is required to review a quarterly report that lists equipment disposals where the same person applies both approvals. This review was not done on a regular basis in fiscal year 2004.

Recommendation – The Department should ensure a supervisor reviews the quarterly report.

Response – We will comply with the auditor's recommendation.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

- (5) Transfer of Jurisdiction Code Compliance – Before the Department and a county enter into a transfer of jurisdiction agreement, Chapter 313.2 of the Code of Iowa requires the intent to execute the agreement be published in the newspaper(s) designated by the county as the official newspaper(s) of general circulation in the county. In addition, the Iowa Department of Transportation Policies and Procedures Manual, Policy (DOT Policy) 800.05 I.D.2 holds the district engineer responsible for having the notice published and for obtaining proof of publication.

For one of five projects tested, the intent to execute the agreement was not published in a local newspaper as required by Chapter 313.2 of the Code of Iowa and DOT Policy 800.05 I.D.2.

Recommendation – The Department should ensure compliance with Chapter 313.2 of the Code of Iowa and DOT Policy 800.05 I.D.2.

Response – We will comply with the auditor's recommendation.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Transportation

June 30, 2004

Staff:

Questions or requests for further assistance should be directed to:

Kay F. Dunn, CPA, Manager
Patricia J. King, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Stephanie A. Bernard, Staff Auditor
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