



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

October 19, 2012

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a combined report on the eight Judicial District Departments of Correctional Services for the year ended June 30, 2011.

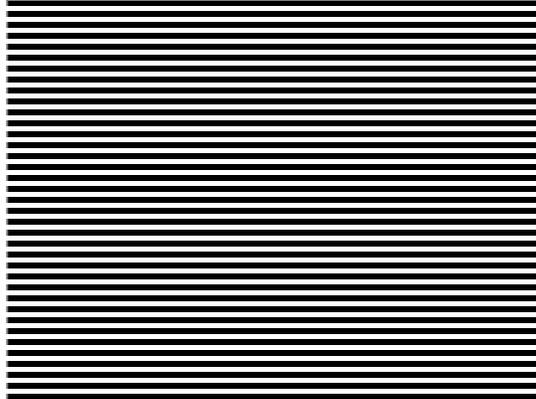
The eight Judicial District Departments of Correctional Services provide community-based correctional programs to Iowa's 99 counties and have administrative offices in Waterloo, Ames, Sioux City, Council Bluffs, Des Moines, Cedar Rapids, Davenport and Fairfield. The Iowa Department of Corrections provides the majority of the funding for the District Departments.

Total revenues ranged from \$6,021,865 at the Fourth Judicial District Department to \$23,252,164 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,035,273 at the Fourth Judicial District Department to \$23,135,817 at the Fifth Judicial District Department.

Vaudt made recommendations to strengthen internal controls and comply with statutory requirements at certain District Departments. The District Departments' responses are included in the report.

A copy of the report is available for review at each of the District Departments, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1275-0000-0R00.pdf>.

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**COMBINED REPORT OF RECOMMENDATIONS TO THE
EIGHT JUDICIAL DISTRICT DEPARTMENTS OF
CORRECTIONAL SERVICES**

JUNE 30, 2011

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



David A. Vaudt, CPA
Auditor of State

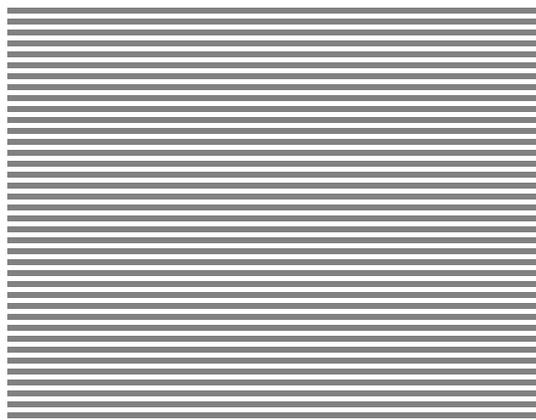


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October 17, 2012

To the Board Members of the
Judicial District Departments of Correctional Services:

The eight individual Judicial District Departments are part of the State of Iowa and, as such, have 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, 2011.

In conducting our audits, we became aware of certain aspects concerning the various District Departments' 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 District Departments' internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with personnel at each applicable District Department and their responses to these recommendations are included in this report. While we have expressed our conclusions on the District Departments' responses, we did not audit the District Departments' responses and, accordingly, we express no opinion on them.

We have also included certain unaudited financial information for the District Departments for the year ended June 30, 2011.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Judicial District Departments of Correctional Services, citizens of the State of Iowa and other parties to whom the Judicial District Departments of Correctional 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 District Departments 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 District Departments are listed on pages 10, 11, 12, 13, 15, 17, 18 and 20 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 Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

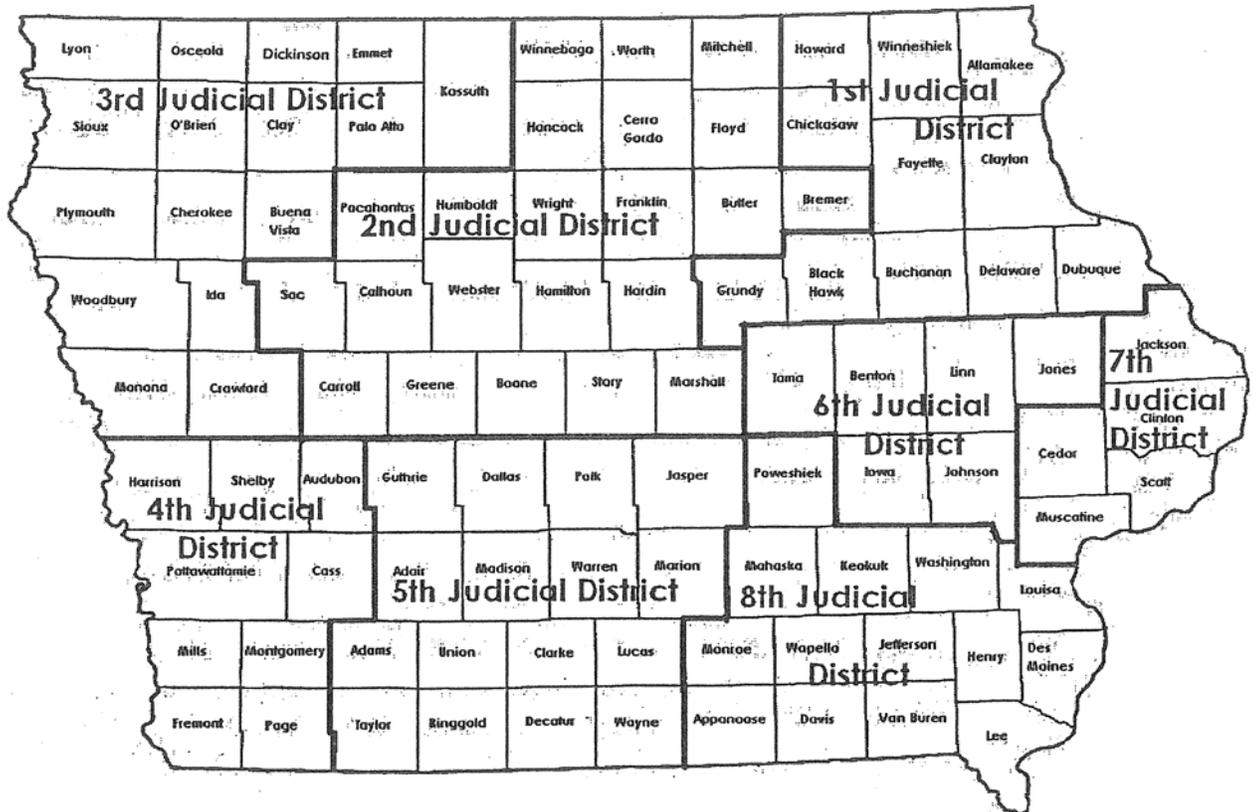
Eight Judicial District Departments of Correctional Services

Overview

Background

In accordance with Chapter 905 of the Code of Iowa, the Iowa Department of Corrections provides assistance and support to the eight established Judicial District Departments. Each District Department is responsible for establishing those services necessary to provide a community-based correctional program which meets the needs of that Judicial District. Each District Department is under the direction of a Board of Directors and is administered by a Director employed by the Board.

The District Departments are located geographically throughout the state (see map below), with administrative offices located in Waterloo, Ames, Sioux City, Council Bluffs, Des Moines, Cedar Rapids, Davenport and Fairfield.



Scope and Methodology

We have presented schedules of General Fund revenues, expenditures and changes in fund balance by Judicial District Department for comparative purposes. These amounts were obtained from information which was used for statewide financial statement purposes. Certain reclassifications and changes have been made to revenues to provide comparable data. These reclassifications and changes are as follows:

- (1) State allocations, transfers between Districts and reversion amounts were netted and titled net state appropriation allocation for this report.

Eight Judicial District Departments of Correctional Services

Overview

- (2) The receipts from other entities category was titled federal, state and local grants and contracts for this report.
- (3) The fees, licenses and permits and refunds and reimbursements categories have been combined and titled fees, refunds and reimbursements for this report.
- (4) Sales, rents and services and miscellaneous categories have been combined and titled rents and miscellaneous for this report.

Summary Observation

Total revenues ranged from \$6,021,865 at the Fourth Judicial District Department to \$23,252,164 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,035,273 at the Fourth Judicial District Department to \$23,135,817 at the Fifth Judicial District Department.

Judicial District Departments

Schedule of General Fund Revenues, Expenditures and Changes in Fund Balance
by Judicial District Department
(Unaudited)

Year ended June 30, 2011

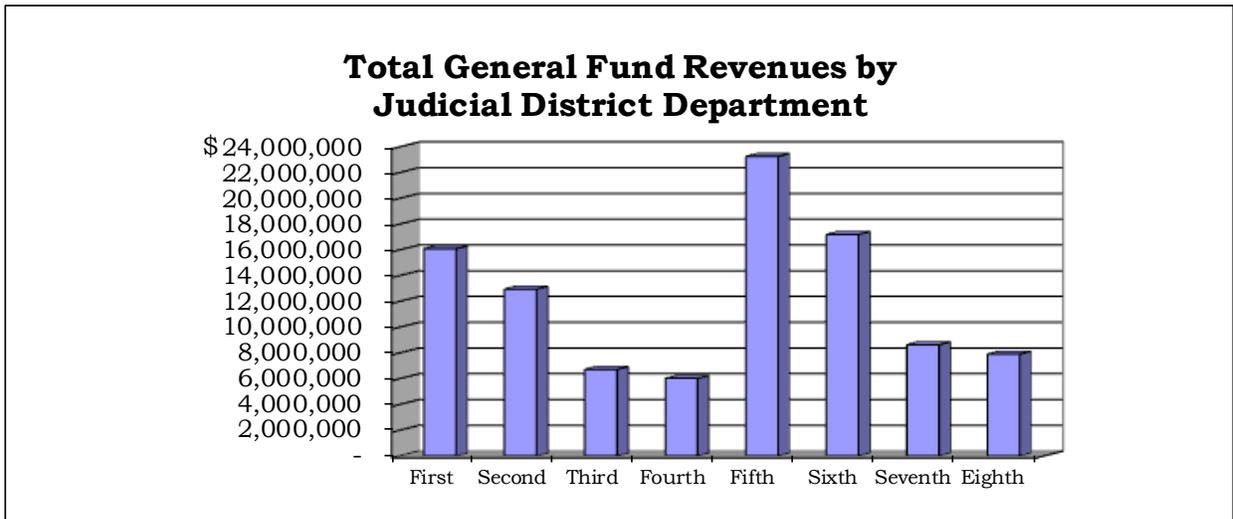
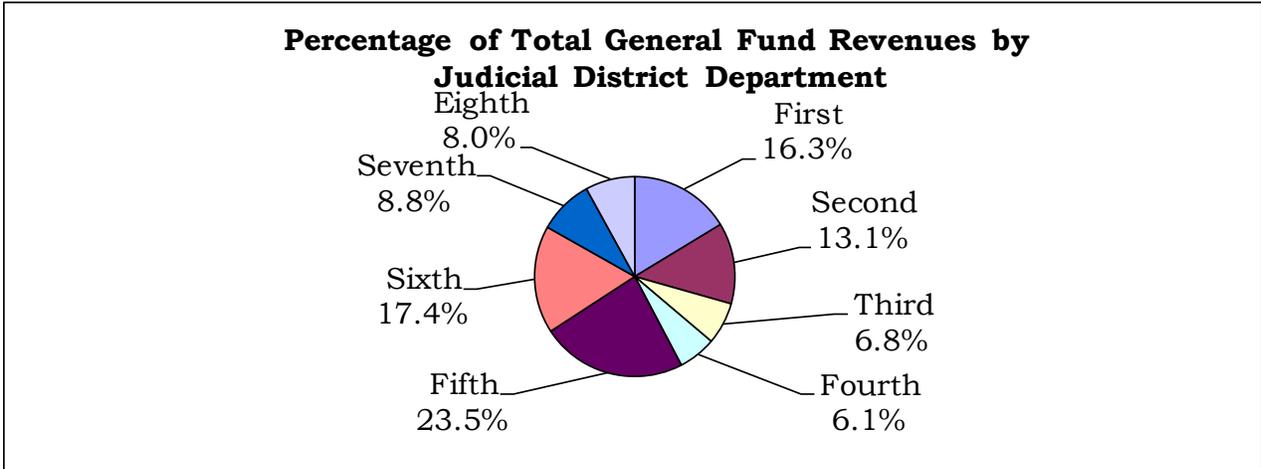
Revenues:	First	Second	Third
Net state appropriation allocation	\$ 11,948,340	10,276,650	5,864,886
Federal, state and local grants and contracts	1,799,739	1,133,326	-
Interest on investments	11,980	6,222	1,392
Fees, refunds and reimbursements	2,326,748	1,490,992	852,344
Rents and miscellaneous	-	44,480	-
Total revenues	<u>16,086,807</u>	<u>12,951,670</u>	<u>6,718,622</u>
Expenditures:			
Personal services	14,004,960	11,467,324	5,997,092
Travel and subsistence	77,221	124,280	55,953
Supplies	473,995	385,237	197,775
Contractual services	931,944	688,191	234,630
Equipment and repairs	140,791	107,449	29,240
Claims and miscellaneous	151,635	-	294,363
Plant improvements	-	-	-
Total expenditures	<u>15,780,546</u>	<u>12,772,481</u>	<u>6,809,053</u>
Excess (deficiency) of revenues over (under) expenditures	306,261	179,189	(90,431)
Fund balance beginning of the year	<u>195,415</u>	<u>529,517</u>	<u>129,989</u>
Fund balance end of the year	<u>\$ 501,676</u>	<u>708,706</u>	<u>39,558</u>

Judicial District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
5,404,249	18,386,820	13,146,693	6,573,949	6,745,153	78,346,740
3,723	242,750	2,042,897	321,330	114,795	5,658,560
1,428	15,628	17,498	3,292	9,695	67,135
598,682	4,519,901	1,823,659	1,740,071	1,023,271	14,375,668
13,783	87,065	161,484	-	8,414	315,226
6,021,865	23,252,164	17,192,231	8,638,642	7,901,328	98,763,329
5,298,870	19,331,076	15,026,850	7,378,044	6,930,300	85,434,516
68,951	126,202	149,241	57,756	75,064	734,668
99,916	624,652	683,854	352,749	261,905	3,080,083
499,293	2,459,054	864,890	682,932	712,752	7,073,686
54,649	544,339	966,940	58,555	74,468	1,976,431
13,594	50,494	168,020	28,200	102,544	808,850
-	-	14,008	-	-	14,008
6,035,273	23,135,817	17,873,803	8,558,236	8,157,033	99,122,242
(13,408)	116,347	(681,572)	80,406	(255,705)	(358,913)
28,771	1,500,277	623,426	11,263	369,042	3,387,700
15,363	1,616,624	(58,146)	91,669	113,337	3,028,787

Judicial District Departments

General Fund Revenues by Judicial District Department
(Unaudited)

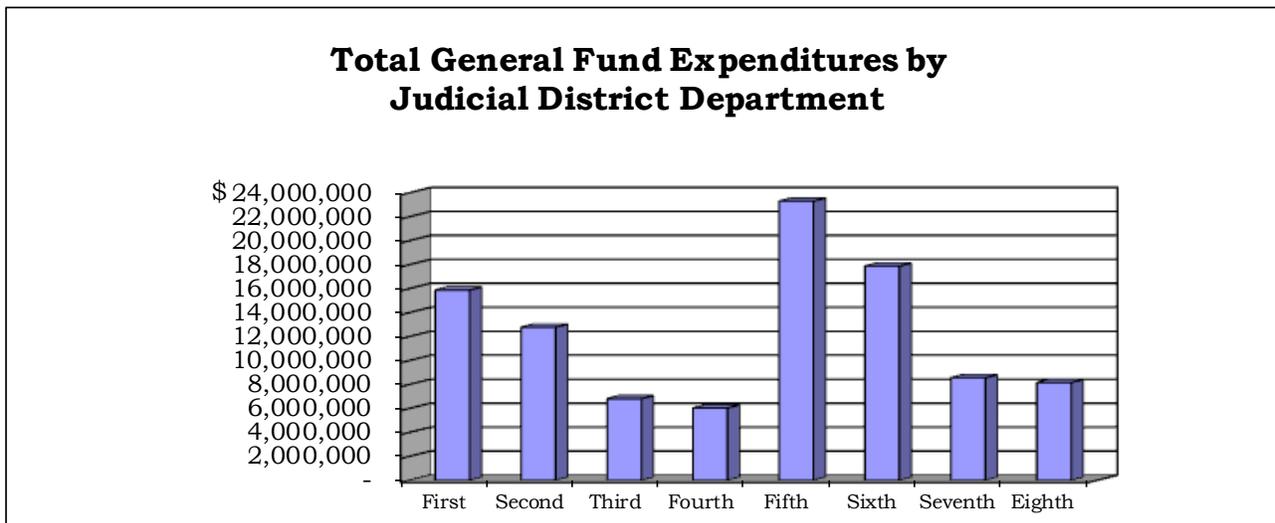
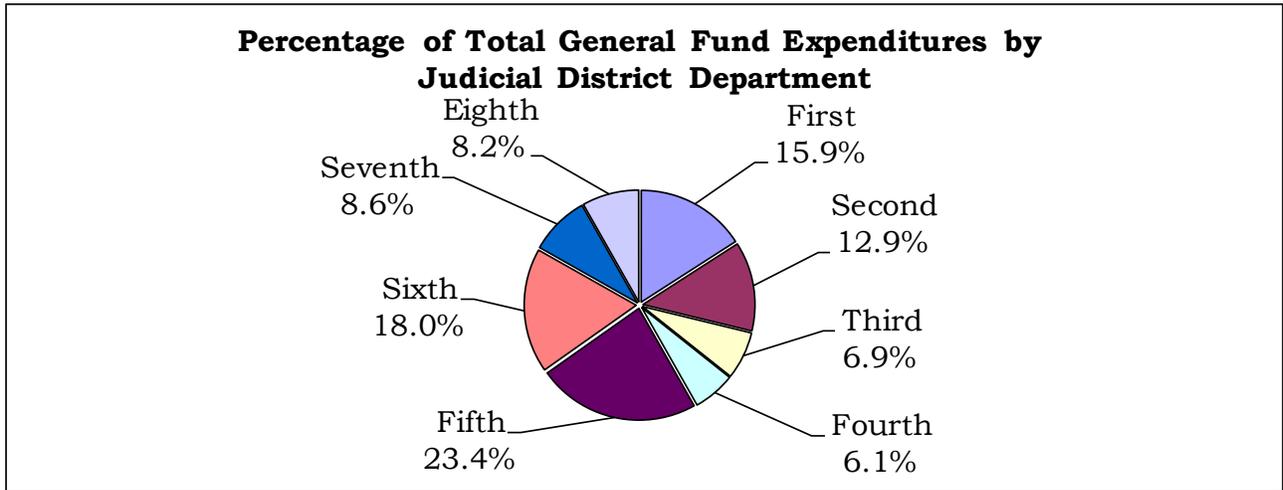
Year ended June 30, 2011



Judicial District Departments

General Fund Expenditures by Judicial District Department
(Unaudited)

Year ended June 30, 2011



Report of Recommendations to the
First Judicial District Department

June 30, 2011

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Report on Internal Control:

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager
Kelly L. Hilton, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Andi J. Kaufman, CPA, Assistant Auditor
Eric L. Rath, Assistant Auditor

Report of Recommendations to the
Second Judicial District Department

June 30, 2011

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Report on Internal Control:

No matters were noted.

Other Findings Related to Internal Control:

Bank Reconciliations – The residential bank account balance was not reconciled to the book balance on a monthly basis. Also, an unresolved variance between the bank and the book balances was not properly investigated and resolved in a timely manner.

Recommendation – The District Department should ensure bank reconciliations are completed in a timely manner. Variances between the bank and book balances should be investigated and resolved in a timely manner to improve financial accountability and control.

Response – The District Department will investigate all variances thoroughly and timely and ensure reconciling items are resolved. In addition, the District Department will examine possible changes in our residential client account bank reconciliation process and implement any new procedures in that process needed to reduce the potential of variances.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Donna F. Kruger, CPA, Manager
Leanna J. Showman, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Brett A. Hoffman, Staff Auditor
Laura E. Grinnell, Assistant Auditor

Report of Recommendations to the
Third Judicial District Department

June 30, 2011

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Report on Internal Control:

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Brian R. Brustkern, CPA, Manager
Justin M. Sherrman, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

David C. McQuarry, CPA, Assistant Auditor

Report of Recommendations to the
Fourth Judicial District Department

June 30, 2011

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Report on Internal Control:

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Brandon J. Vogel, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Brooke A. Robb, Staff Auditor

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2011

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Report on Internal Control:

No matters were noted.

Other Findings Related to Internal Control:

- (1) Credit Card Disbursements – Detailed supporting documentation was not always available to support credit card charges.

Recommendation – The District Department should ensure detailed supporting documentation, including credit card receipts, are retained to support credit card charges.

Response – The District Department will ensure itemized receipts are retained in support of all credit card charges.

Conclusion – Response accepted.

- (2) Agency Fund Disbursements – Client account disbursements are authorized and made in accordance with a weekly budget approved in consultation with individual clients. For 7 of 36 client account disbursements tested, the weekly budget was not available in the client file.

Recommendation – The District Department should ensure the weekly budgets supporting client disbursements are retained in the client's file.

Response – The District Department will place additional emphasis on retaining the offender weekly budgets at both our residential facilities.

Conclusion – Response accepted.

- (3) GAAP Package – District Departments are required to submit GAAP packages each year. The liability for compensated absences was overstated due to using an incorrect Iowa Public Employees Retirement System (IPERS) rate for calculation and incorrect reporting of sick leave balances.

Recommendation – The District Department should ensure the proper amounts are reported in the GAAP package.

Response – The District Department will ensure the correct IPERS rate is used when calculating compensated absences and ensure all sick leave balances are properly calculated.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2011

Staff:

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager
Tiffany M. Ainger, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Adam B. Bartz, Assistant Auditor
Michael T. Bunkers, Assistant Auditor
Emily K Creighton, Assistant Auditor

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2011

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Report on Internal Control:

No matters were noted.

Other Findings Related to Internal Control:

- (1) Accounts Receivable – District Departments are required to submit GAAP packages each year. The District Department reported receivables for supervision fees and client rent. Reconciliations of billings, collections and delinquent accounts were not performed monthly for supervision fees and client rent.

Recommendation – The District Department should reconcile the supervision fee and client rent receivables monthly. Additionally, the reconciliations should be reviewed by an independent person each month.

Response – The District Department will implement a reconciliation of the client rent and an independent individual will review and sign monthly.

Conclusion – Response accepted.

- (2) Documentation of Reviews Performed – Independent review of the bank reconciliation is performed, but documented evidence of the review is not retained.

Recommendation – Written evidence of the review of bank reconciliations should be retained.

Response – An independent individual will review and sign bank reconciliations.

Conclusion – Response accepted.

- (3) Bank Reconciliation – A review of the monthly bank reconciliations for the residential bank account identified several adjustments/reconciling items not posted to the general ledger in a timely manner. Some of the adjustments/reconciling items have been carried forward on the bank reconciliations for several years. The residential account was overstated by \$18,294 at June 30, 2011. Additionally, the bank reconciliation for the client account was completed as of June 23, 2011 rather than June 30, 2011.

Recommendation – The District Department should ensure adjustments/reconciling items noted on the monthly bank reconciliations are posted to the general ledger timely.

To provide better control over the financial transactions and overall accountability, the District Department should investigate the reason the residential bank account does not balance.

The District Department should ensure the client account bank reconciliation is performed as of June 30, 2011 to ensure the proper balance is reported.

Response – Adjustments to reconciliations will be posted in a timely manner. The residential rent overstatement will be resolved. GAAP data for residential clients will be collected and reconciled as close to June 30 as possible.

Conclusion – Response acknowledged. All bank reconciliations should be performed as of June 30 to ensure proper balances are reported.

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2011

- (4) Payroll Return and Taxes – The Employer’s Quarterly Federal Tax Return, Form 941, was filed late for the third quarter of the fiscal year ended June 30, 2011.

Recommendation – The District Department should ensure all quarterly payroll tax returns are properly filed on a timely basis.

Response – The Quarterly Federal Tax Return, Form 941, will be submitted in a timely manner.

Conclusion – Response accepted.

- (5) GAAP Package – Activity for the District Department is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year. The following errors were noted:

- Operating lease future obligations were understated by \$48,044.
- Equipment additions were overstated by \$8,058.
- Gain on disposal of equipment of \$550 was not reported.

Recommendation – The District Department should ensure the GAAP package information reported is complete and accurate.

Response – The District Department will ensure the proper amounts are reported in the GAAP package. Currently, an independent individual reviews the GAAP package.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each state agency report and remit obligations, including checks, outstanding for more than two years to the Treasurer of State annually.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the Treasurer of State as required by the Code of Iowa.

Response – Appropriate items will be submitted to the Treasurer of State.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Manager
Daniel L. Grady, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Tyler L. Carter, Staff Auditor
Jamie T. Reuter, Assistant Auditor

Report of Recommendations to the
Seventh Judicial District Department

June 30, 2011

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Report on Internal Control:

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Manager
Kassi D. Adams, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Philip A. Rethwisch, Assistant Auditor

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2011

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Report on Internal Control:

No matters were noted.

Other Findings Related to Internal Control:

- (1) Segregation of Duties (Fairfield Administrative Office) – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:

- a) Receipts/Bank Reconciliation - The responsibilities for collection, deposit preparation and reconciliation functions should be separated from those for recording and accounting for receipts. Currently, the administrative officer opens mail, accounts for receipts and performs the bank reconciliation. The District Director initials the bank reconciliations.
- b) Payroll – Both the administrative office and executive secretary have access to all employee timesheets and are able to prepare and approve any employee's timesheet.

Recommendation – Someone independent of the receipt process should compare the receipts to the cash and checks collected, compare the receipts to a validated deposit slip and initial to indicate review. Also, there should be restrictions for employees to have access only to their individual timesheets and those they are allowed to approve.

Response – Due to budget limitations, staff size is limited to one administrative accountant and a part time executive secretary. We will continue to segregate duties as much as possible using the small staff available.

Conclusion – Response accepted.

- (2) Service Contracts – Three of six contracts tested did not contain a fixed or determinable agreement period. Three of six contracts tested did not contain an indemnification clause. Four of six contracts tested did not contain a clause denoting compliance with applicable laws and regulations and a clause regarding the assignment of the contract. Five of six contracts tested did not contain a clause to ensure the contract cannot be assigned or transferred to another party without written prior approval.

Recommendation – To ensure proper control procedures, contracts should include all appropriate clauses.

Response – This has been an ongoing issue for the District Department. Contracts were consolidated under the responsibility of the District Department director's executive secretary last year. We continue to work on ensuring all contracts meet statutory guidelines, as well as ensuring uniformity of contractual language.

Conclusion – Response accepted.

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2011

- (3) Supervision Fees – The District Department is not reconciling the assessment and receipt of supervision fees.

Recommendation – The District Department should reconcile the assessment and receipt of supervision fees.

Response – The District Department will set up a reconciliation process for assessing and receiving supervision fees.

Conclusion – Response accepted.

- (4) Timely Deposits – Certain receipts were not deposited timely.

Recommendation – District Department officials should implement procedures to ensure all receipts are deposited in a timely manner.

Response – The District Department will discuss the timeliness of deposits with the employees responsible for making deposits. The Administrative Officer will check deposits for timeliness of deposit.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Brian R. Brustkern, CPA, Manager
Scott P. Boisen, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

William B. Corley, Assistant Auditor