

**NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER
DBA NORTHWEST IOWA YOUTH
EMERGENCY SERVICES CENTER**

**INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENT AND
SCHEDULE OF FINDINGS**

JUNE 30, 2014

NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER

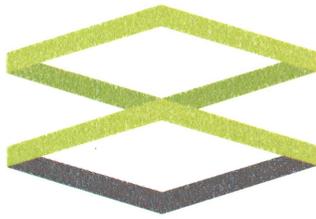
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NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
Don Kass	Chairperson	Plymouth County
Ken Chalstrom	Vice-Chairperson	Clay County
Jon Martyr	Member	Emmet County
Joe Cronin	Member	Ida County
Ranell Drake	Member	Sac County
Kirk Peters	Member	Lyon County
Denny Wright	Member	Sioux County
Louis Stauter	Member	Pocahontas County
Mardi Allen	Member	Dickinson County
Eugene Meiners	Member	Carroll County
Nancy McDowell	Member	O'Brien County
Jerry Buller	Member	Crawford County
Ken Hach	Member	Buena Vista County
Dennis Bush	Member	Cherokee County
Cheryl McGrory	Director	
Karla Lundy	Assistant Director	



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INDEPENDENT AUDITORS' REPORT

To the Officials and Members of the
Northwest Iowa Multicounty Regional
Juvenile Detention Center
DBA Northwest Iowa Youth Emergency Services Center
Cherokee, IA 51012

Report on the Financial Statement

We have audited the accompanying statement of cash receipts, disbursements and change in cash balance of Northwest Iowa Multicounty Regional Juvenile Detention Center DBA Northwest Iowa Youth Emergency Services Center (Center), as of and for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the primary government of Northwest Iowa Multicounty Regional Juvenile Detention Center DBA Northwest Iowa Youth Emergency Services Center as of June 30, 2014, and the change in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2015 on our consideration of Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Winter, Staver Co., LLP

March 12, 2015
Spencer, Iowa

FINANCIAL STATEMENT

NORTHWEST IOWA MULTICOUNTY REGIONAL
 JUVENILE DETENTION CENTER
 DBA NORTHWEST IOWA YOUTH EMERGENCY SERVICES CENTER
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGE IN CASH BALANCE
 FOR THE YEAR ENDED JUNE 30, 2014

OPERATING RECEIPTS:

Detention care fees	\$345,126
State allocation	146,428
State programs - tracker	377,806
State programs	8,569
Transportation revenues	23,913
Other operating revenues	<u>4,728</u>
TOTAL OPERATING RECEIPTS	<u>906,570</u>

OPERATING DISBURSEMENTS:

Salaries	587,834
Payroll taxes	101,764
Health insurance and benefits	80,210
Meals and food	18,249
Treatment and health supplies	2,581
Clothing	1,360
Travel	36,546
Training	291
Office supplies	6,247
Postage	807
Telephone and internet	12,598
Utilities	11,040
Insurance	28,425
Transportation expenses	20,392
Audit fees	4,400
Accounting services	3,600
Miscellaneous	2,282
Repairs and maintenance	<u>1,651</u>
TOTAL OPERATING DISBURSEMENTS	<u>920,277</u>

EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>(13,707)</u>
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NON-OPERATING RECEIPTS (DISBURSEMENTS):

Interest on investments	11
Net line of credit reduction	(17,000)
Interest expense	<u>(725)</u>
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS) - NET	<u>(17,714)</u>

CHANGE IN CASH BALANCE	(31,421)
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CASH BALANCE - BEGINNING OF YEAR.....	<u>33,254</u>
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CASH BALANCE - END OF YEAR	<u>\$ 1,833</u>
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CASH BASIS FUND BALANCE:

Unrestricted	<u>\$ 1,833</u>
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NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northwest Iowa Multicounty Regional Juvenile Detention Center DBA Northwest Iowa Youth Emergency Services Center (Center) was formed in 1989 by eleven northwest Iowa member counties pursuant to the provisions of Chapter 28E of the Code of Iowa. Three additional counties subsequently joined the organization. The Center provides detention and shelter care of juveniles.

The Center is governed by a Board comprised of one representative from each of the following member counties: Cherokee, Plymouth, Ida, Buena Vista, Carroll, O'Brien, Sioux, Lyon, Pocahontas, Sac, Dickinson, Clay, Emmet, and Crawford.

Reporting Entity

For financial reporting purposes, the Center has included all funds. The Center has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Center are such that exclusion would cause the Center's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Center. The Center has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Center are organized as an Enterprise Fund. Enterprise Funds may be used to report any activity for which a fee is charged to external users for goods or services.

The Center distinguishes operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with the Center's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Basis of Accounting

The Center maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Center is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Center in accordance with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results may differ from those estimates.

NORTHWEST IOWA MULTICOUNTY REGIONAL
 JUVENILE DETENTION CENTER
 NOTES TO FINANCIAL STATEMENT - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Date of Management's Review

Subsequent events were evaluated by management up to the date of the independent auditors' report, which is the date the financial statement was available to be issued.

2. CASH AND CASH EQUIVALENTS

The Center's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Center is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Center; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Center had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3. NOTES PAYABLE

Activity in the loan for the year ended June 30, 2014 is summarized below:

	Balance Beginning of Year	Issued	Paid	Balance End of Year	Interest Paid
Iowa State Bank Loan	<u>\$25,000</u>	<u>\$48,000</u>	<u>\$65,000</u>	<u>\$ 8,000</u>	<u>\$ 725</u>

The Center entered into a short-term operating loan agreement in June 2013 to help fund operations. The note agreement terminates on October 1, 2014 and bears interest at 8.15%. All deposit accounts and rights to payments of the Center are provided as collateral.

NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENT - Continued

4. PENSION AND RETIREMENT BENEFITS

The Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the Center is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The Center's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$55,353, \$55,158, and \$49,663, respectively, equal to the required contributions for the year.

5. RENT OBLIGATIONS

The Center occupies a portion of a building leased from the Iowa Department of Human Services in Cherokee, Iowa. The lease cost is \$1 per year plus a portion of the utilities and telephone. The terms are subject to renegotiation annually.

6. RELATED PARTY TRANSACTIONS

Total charges for services to member counties during the year ended June 30, 2014 were \$323,706. The member counties were billed \$150 per diem for juvenile detention services provided compared to \$175 per diem for non-member counties.

7. RISK MANAGEMENT

The Center is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENT - Continued

7. RISK MANAGEMENT - Continued

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expense for property risks, all of which are due and estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Center's property and casualty contributions to the risk pool are recorded as disbursements from its operating fund at the time of payment to the risk pool. The Center's contributions to the Pool for the year ended June 30, 2014 were \$12,306.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Center's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Center's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount, if any, to be refunded to the withdrawing member.

The Center also carries commercial insurance purchased from other insurers for coverage primarily associated with workers compensation. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENT - Continued

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The Center operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 11 active members and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Center. The Center currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Center were \$469 for single coverage and \$959 for family coverage. The same monthly premium applies to retirees. For the year ended June 30, 2014, the Center contributed \$80,210 and plan members eligible for benefits contributed \$0 to the plan.

9. COMPENSATED ABSENCES

Compensated Absences - Center employees accumulate a limited amount of earned but unused vacation and compensatory time off hours for subsequent use or for payment upon termination, death, or retirement. These accumulations are not recognized as disbursements by the Center until used or paid. The Center's approximate liability for accumulated vacation payable to employees was \$3,077 at June 30, 2014. The Center's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2014.

10. EMPLOYEE HEALTH INSURANCE

The Center has established an account for the partial self-funding of the Center's health insurance plan. The plan is funded by the Center and is administered through a service agreement with Employee Benefit Systems. The agreement is subject to annual renewal provisions. The Center assumes liability for claims up to the deductible amounts of \$2,000/\$4,000 per single/family plan with a maximum out-of-pocket expense of \$4,000/\$8,000 per single/family plan. The deductible and maximum out-of-pocket for the Center are reduced by the deductible amount paid by the employee of \$500/\$1,000 per single/family plan and employee maximum out-of-pocket expense of \$1,000/\$2,000 per single/family plan. Claims in excess of deductibles are covered through a plan with Wellmark.

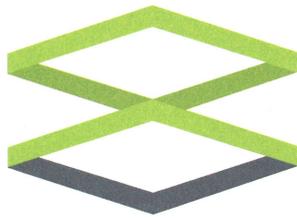
NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER
NOTES TO FINANCIAL STATEMENT - Continued

11. ECONOMIC DEPENDENCY

The Center generates approximately 59% of its revenue from State allocations and programs to provide services for the Iowa Department of Human Services (IDHS). State allocations are received in an annual lump sum. Under the terms of the IDHS programs, the Center submits an annual report of its expenditures and/or activities to the IDHS and is paid on a monthly basis as provided for by the program. The Center will not participate in the State tracker program for FY15 and anticipates revenues and expenses will decrease by approximately the same amount.

12. PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.



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INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
A FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Officials and Members of
Northwest Iowa Multicounty Regional
Juvenile Detention Center
DBA Northwest Iowa Youth Emergency Services Center
Cherokee, IA 51012

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of Northwest Iowa Multicounty Regional Juvenile Detention Center DBA Northwest Iowa Youth Emergency Services Center (Center) as of and for the year ended June 30, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 12, 2015. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Center's internal control over financial reporting (internal control) to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be a material weakness or significant deficiency.

A deficiency in internal control 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 on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statement will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Northwest Iowa Multicounty Regional Juvenile Detention Center's Responses to Findings

The Center's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Center's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Northwest Iowa Multicounty Regional Juvenile Detention Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Stave & Co, LLP

March 12, 2015
Spencer, Iowa

NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER
SCHEDULE OF FINDINGS

Part I: Findings Related to the Financial Statement

Internal Control Deficiencies:

I-A-14 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The mail should be opened by someone who does not have access to the accounting records. A list of all checks received should be prepared and this list should then be agreed to amounts posted to the accounting records.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Center should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Center does concede that segregation of duties is difficult with the limited number of employees and qualified staff to segregate duties. The Center continues to review its policies and procedures in regard to segregation of duties. We continue to assess this situation and look for ways to improve the segregation of duties within the facility.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were noted.

NORTHWEST IOWA MULTICOUNTY REGIONAL
JUVENILE DETENTION CENTER
SCHEDULE OF FINDINGS - Continued

Part II: Other Findings Related to Statutory Reporting

- II-A-14 Questionable Expenses - No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 2019 were noted.

- II-B-14 Travel Expense - No disbursements of money for travel expenses of spouses of Center officials or employees were noted.

- II-C-14 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

- II-D-14 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were identified.