



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

November 3, 2016

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released a combined report on the eight Judicial District Departments of Correctional Services for the year ended June 30, 2015.

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 \$6,642,323 at the Fourth Judicial District Department to \$26,107,233 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,620,502 at the Fourth Judicial District Department to \$26,088,665 at the Fifth Judicial District Department.

Mosiman 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 <https://auditor.iowa.gov/reports/1675-0000-OR00>.

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

**JUNE 30, 2015**

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October 28, 2016

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

The eight individual Judicial District Departments of Correctional Services (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, 2015.

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. 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, 2015.

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, 14, 16, 17 and 19 and they are available to discuss these matters with you.

*Mary Mosiman*  
MARY MOSIMAN, CPA  
Auditor of State

cc: Honorable Terry E. Branstad, Governor  
David Roederer, Director, Department of Management  
Glen P. Dickinson, Director, Legislative Services Agency

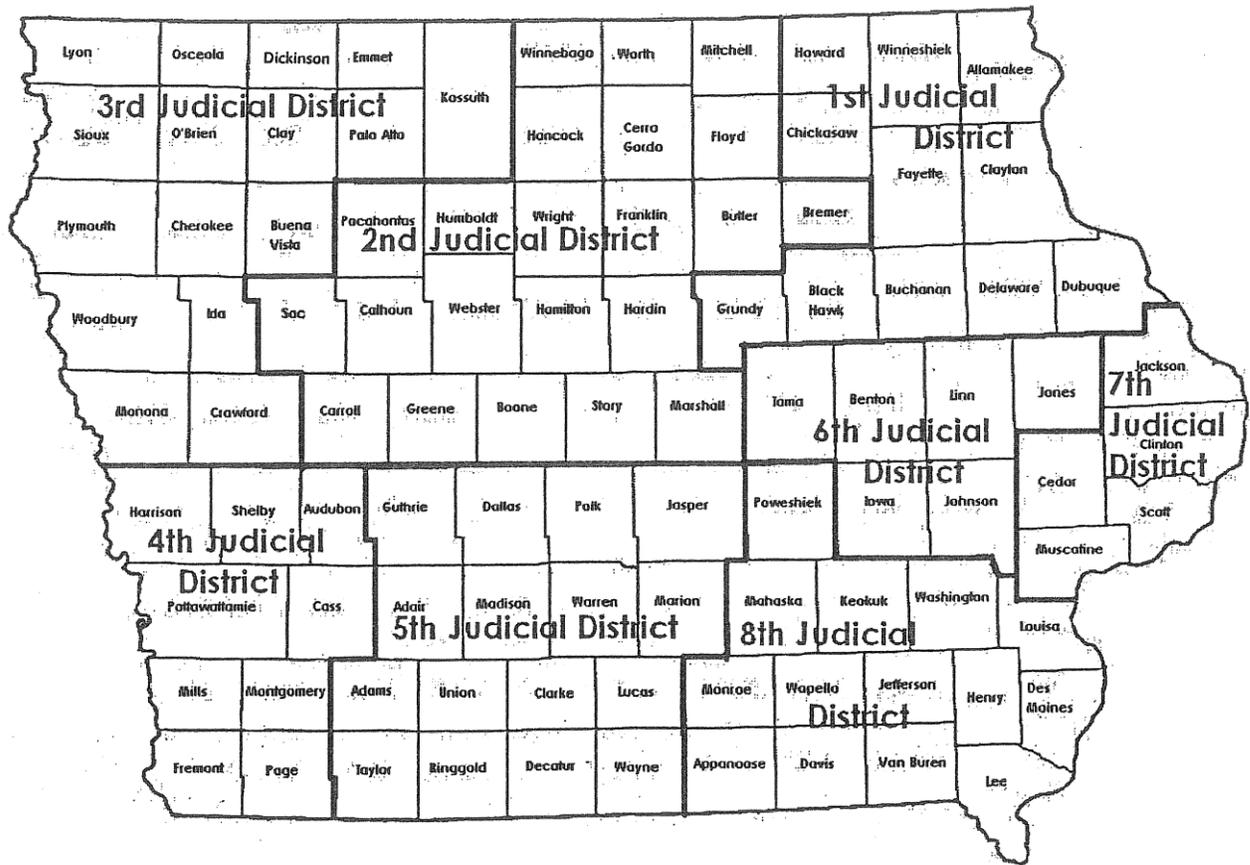
# Eight Judicial District Departments of Correctional Services

## 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 of Correctional Services (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.



## Eight Judicial District Departments of Correctional Services

### Overview

#### **Scope and Methodology**

We have presented Schedules of General Fund Revenues, Expenditures and Changes in Fund Balance by 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 District Departments and reversion amounts were netted and titled net state appropriation allocation for this report.
- (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 \$6,642,323 at the Fourth Judicial District Department to \$26,107,233 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,620,502 at the Fourth Judicial District Department to \$26,088,665 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, 2015

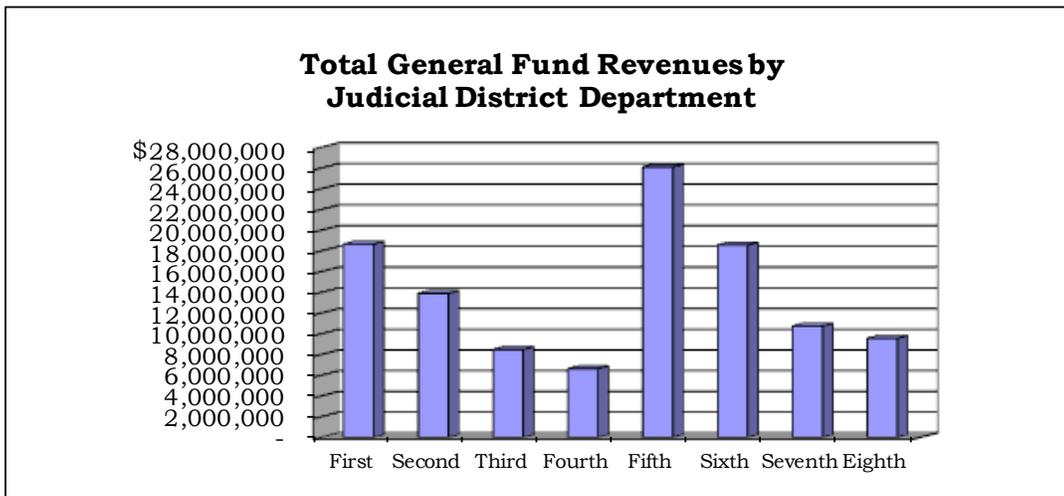
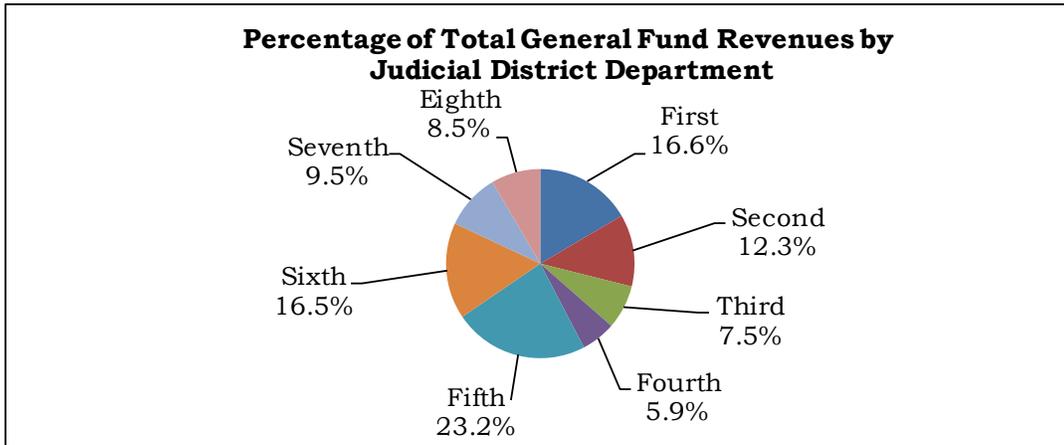
	First	Second	Third
<b>Revenues:</b>			
Net state appropriation allocation	\$ 14,804,000	11,445,661	7,355,601
Federal, state and local grants and contracts	1,100,569	683,258	-
Interest on investments	3,970	5,238	1,955
Fees, refunds and reimbursements	2,748,905	1,702,774	427,731
Rents and miscellaneous	1,021	60,374	702,721
<b>Total revenues</b>	<b>18,658,465</b>	<b>13,897,305</b>	<b>8,488,008</b>
<b>Expenditures:</b>			
Personal services	16,649,662	12,206,498	7,482,786
Travel and subsistence	67,585	155,567	69,678
Supplies	648,165	398,055	198,402
Contractual services	992,541	779,525	400,766
Equipment and repairs	148,101	182,803	205,660
Claims and miscellaneous	30,075	-	17,844
Plant improvements	-	17,901	-
<b>Total expenditures</b>	<b>18,536,129</b>	<b>13,740,349</b>	<b>8,375,136</b>
Excess (deficiency) of revenues over (under) expenditures	122,336	156,956	112,872
Fund balance beginning of the year	248,169	462,314	528,805
<b>Fund balance end of the year</b>	<b>\$ 370,505</b>	<b>619,270</b>	<b>641,677</b>

Judicial District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
5,608,005	20,042,788	14,869,654	7,929,117	8,233,774	90,288,600
36,128	1,210,442	372,451	-	30,033	3,432,881
34	5,513	8,676	3,141	3,138	31,665
949,863	4,770,738	3,132,105	2,812,171	1,282,121	17,826,408
48,293	77,752	190,069	-	10,358	1,090,588
6,642,323	26,107,233	18,572,955	10,744,429	9,559,424	112,670,142
5,780,250	22,769,261	15,426,915	8,777,217	8,247,319	97,339,908
64,509	136,100	81,833	50,412	74,472	700,156
317,648	422,830	695,104	552,246	295,919	3,528,369
380,881	2,328,619	832,659	731,916	656,459	7,103,366
61,496	389,336	956,216	170,846	214,197	2,328,655
15,718	42,519	232,019	45,908	148,865	532,948
-	-	78,204	-	-	96,105
6,620,502	26,088,665	18,302,950	10,328,545	9,637,231	111,629,507
21,821	18,568	270,005	415,884	(77,807)	1,040,635
31,480	97,040	125,963	61,341	371,048	1,926,160
53,301	115,608	395,968	477,225	293,241	2,966,795

Judicial District Departments

General Fund Revenues by Judicial District Department  
(Unaudited)

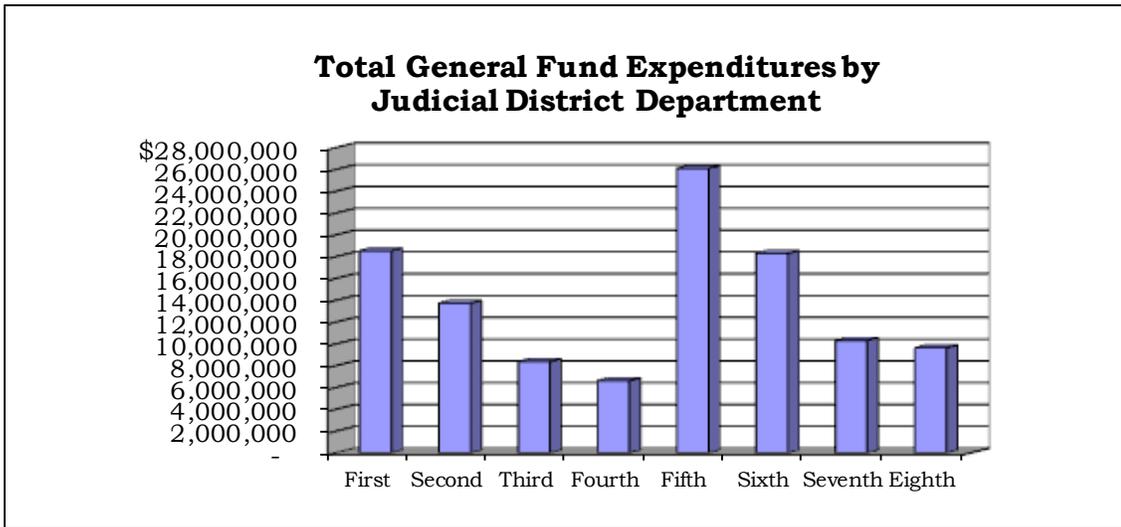
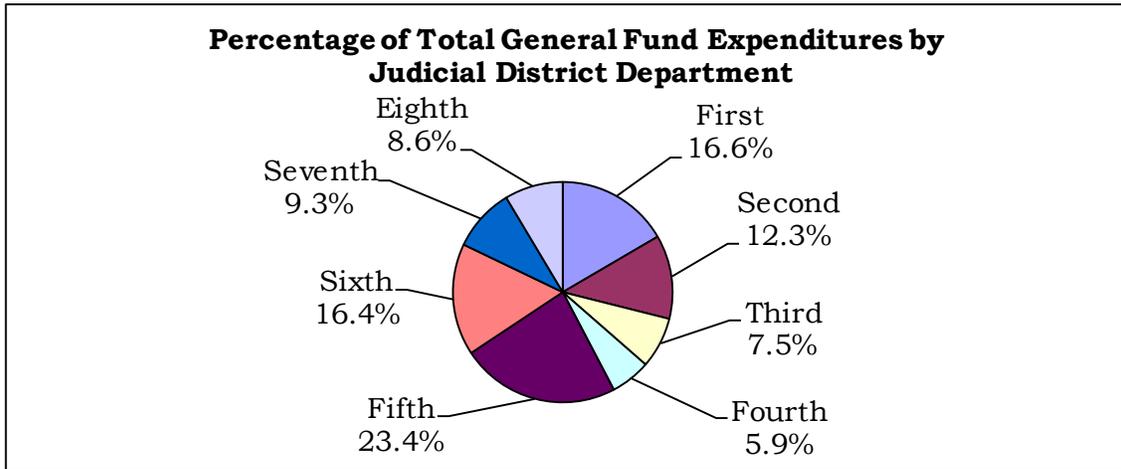
Year ended June 30, 2015



Judicial District Departments

General Fund Expenditures by Judicial District Department  
(Unaudited)

Year ended June 30, 2015



Report of Recommendations to the  
First Judicial District Department

June 30, 2015

**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:

Deborah J. Moser, CPA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Kelly L. Hilton, Senior Auditor II  
Sarah J. Swisher, Assistant Auditor  
Preston R. Grygiel, Assistant Auditor

Report of Recommendations to the  
Second Judicial District Department

June 30, 2015

**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 Finding Related to Internal Control:**

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:

- a) General Fund cash balance was overstated by \$4,844, and resident client cash balance was understated by the same amount.
- b) General Fund due from other funds were overstated by \$338,392 and accounts receivable were understated by the same amount.
- c) General Fund prepaid expenditures were understated by \$9,825.

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

Response – The District Department will complete the GAAP package accurately, will review the GAAP package thoroughly and will then submit the GAAP package timely.

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:

Tammy A. Hollingsworth, CIA, Manager  
Ashley J. Moser, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Jenna M. Paysen, Staff Auditor  
Preston R. Grygiel, Assistant Auditor

Report of Recommendations to the  
Third Judicial District Department

June 30, 2015

**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 Finding Related to Internal Control:**

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:

- a) The bank balance was overstated by \$10,000.
- b) Noncurrent compensated absences were understated by \$18,800.
- c) The Sick Leave Insurance Program (SLIP) balance was understated by \$1,766.

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.

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:

Ernest H. Ruben, Jr., CPA, Manager  
Ryan J. Pithan, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Alex W. Case, Staff Auditor

Report of Recommendations to the  
Fourth Judicial District Department

June 30, 2015

**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:

Suzanne R. Dahlstrom, CPA, Manager  
Kyle C. Smith, CPA, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Colton L. Barton, Assistant Auditor

Report of Recommendations to the  
Fifth Judicial District Department

June 30, 2015

**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 Finding 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:

Timothy D. Houlette, CPA, Manager  
Laura M. Wernimont, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Carolina M. Chavez, Staff Auditor  
Emma L. McGrane, Staff Auditor  
Ryan M. Barrett, Assistant Auditor  
Anthony J.T. Mallie, Assistant Auditor

Report of Recommendations to the  
Sixth Judicial District Department

June 30, 2015

**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 – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from performing duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one individual has control over disbursements (preparing checks, signing checks and recording) for which limited compensating controls exist for the residential client account.

Recommendations – We realize segregation of duties is difficult with a limited number of office employees. However, the District Department should review its operating procedures to obtain the maximum internal control possible under the circumstances. The District Department should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and the reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – The District Department will continue to investigate segregation of duties issues as staffing allows and will make changes when possible.

Conclusion – Response acknowledged. Controls over disbursements should be strengthened to obtain the maximum internal control possible.

- (2) Vacation Accrual – The District operates primarily on appropriations from the State of Iowa and funding provided by the State for payroll costs. While most State employees' payroll is processed by DAS, each District processes payroll for its employees. Processing payroll includes determining net pay, accruing vacation and sick leave benefits and ensuring employees contribute the appropriate amount for their health, dental, and other benefits.

During our review, we determined management employees were allowed to accumulate an additional 80 hours of vacation. As a result, the maximum vacation accrual for several management employees was not properly calculated in accordance with section 70A.1 of the Code. However, the District implemented a policy which states employees hired, transferred, or promoted into a management position after June 13, 2014 are not entitled to the additional accrual cap.

Recommendation – All District employees' accrued vacation should not exceed the maximum vacation accruals.

Response – The rate of accrual for management employees is the same as other employees. Iowa Code 905.2 maintains judicial district departments of correctional services as a state agency only for purposes in Chapter 669 and for no other purpose. Judicial district departments of correctional services are entities controlled by a community board of directors for the purpose of providing community-based corrections programs to meet the needs of each specific judicial district. These boards adopt bylaws and rules for conduct of

Report of Recommendations to the  
Sixth Judicial District Department

June 30, 2015

their own business and the government of the district department's community-based correctional programs and allow the district department to accept and use local financial support for their programs. Furthermore, the Board of Directors sets policies and ensures procedures for governing the personnel employed by the judicial district department of correctional services.

Conclusion – Response acknowledged. Although District officials do not believe the maximum vacation accruals established by section 70A.1 of the Code of Iowa apply to District employees because they are not State employees, District employees participate in the Sick Leave Insurance Program (SLIP), which is established by section 70A.23 of the Code of Iowa. Chapter 70A.23 of the Code of Iowa specifies State employees, excluding those covered under a collective bargaining agreement which provides otherwise, participate in SLIP in addition to specifying the vacation and sick leave accrual rates and the maximum vacation accrual for State employees. As stated in a report issued by the Office of Auditor of State on July 14, 2015, because District employees participate in SLIP, they are considered State employees for these benefits and, therefore, the District should comply with the accrual rates and the maximum vacation accrual established in Section 70A.1 of the Code of Iowa. As a result, we determined all non-contract management employees should not accrue 80 hours of vacation in excess of the maximum vacation accrual specified in Section 70A.1 of the Code of Iowa. However, the District has only discontinued this practice for individuals newly hired to management. Existing management personnel continue to accrue the additional 80 hours of vacation.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

**Staff:**

Questions or requests for further assistance should be directed to:

Jennifer Campbell, CPA, Manager  
Jesse J. Harthan, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Matthew C. Hickenbottom, Senior Auditor  
Robert E. Fisher, Assistant Auditor  
Tyler A. Propst, Assistant Auditor

Report of Recommendations to the  
Seventh Judicial District Department

June 30, 2015

**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.

**Finding Related to Statutory Requirements and Other Matters:**

Unclaimed Property – Chapter 556.11 of the Code of Iowa requires the District Department to report and remit outstanding obligations of the value of fifty dollars or more, including checks, trusts and bonds held for more than three years, to the Office of Treasurer of State annually.

Recommendation – The District Department should ensure outstanding obligations are reviewed annually and obligations more than three years old should be properly remitted to the Office of Treasurer of State, as required.

Response – We started this process in the fall of 2015 and will continue it each year.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Donna F. Kruger, CPA, CGFM, Manager  
Joseph B. Sparks, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Alex W. Case, Staff Auditor  
Carolina M. Chavez, Staff Auditor  
Kristin R. Finke, Assistant Auditor

Report of Recommendations to the  
Eighth Judicial District Department

June 30, 2015

**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 Finding Related to Internal Control:**

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 accounts for receipts and performs the bank reconciliation. The District Director initials the bank reconciliation.
- b) Payroll – Both the Administrative Officer and the Administrative Assistant have access to all employees' timesheets and are able to prepare and approve any employee's timesheet. The payroll journal is not independently reviewed and approved.

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, employees should only have access to their own timesheet and the timesheets they are authorized to approve. The payroll journal should be independently reviewed and approved.

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

Conclusion – Response accepted.

**Finding Related to Statutory Requirements and Other Matters:**

No matters were noted.

Report of Recommendations to the  
Eighth Judicial District Department

June 30, 2015

**Staff:**

Questions or requests for further assistance should be directed to:

Suzanne R. Dahlstrom, CPA, Manager  
Michael Holowinski, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Carolina M. Chavez, Staff Auditor  
Tyler A. Propst, Assistant Auditor