



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

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

March 4, 2003

**Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Black Hawk County Criminal Justice Information System.

Vaudt reported that the System had total receipts of \$274,582 during the year ended June 30, 2002, a 10 percent increase from the prior year. The receipts included \$63,101 in county assessments and \$139,710 in city assessments. The significant increase in receipts is primarily due to the receipt of an intelligent transportation system grant to upgrade the System's computer hardware and software.

Vaudt also reported that the System's disbursements totaled \$279,431 for the year ended June 30, 2002, a 23 percent increase from the prior year, and included \$129,597 for equipment, \$39,227 for software support and \$36,321 for telephone lines. The significant increase in disbursements is primarily due to computer hardware and software purchases.

A copy of the audit report is available for review in the office of the Auditor of State and the Black Hawk County Criminal Justice Information System's office.

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BLACK HAWK COUNTY CRIMINAL JUSTICE INFORMATION SYSTEM

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
SCHEDULE OF FINDINGS**

JUNE 30, 2002

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Black Hawk County Criminal Justice Information System

Officials

<u>Name</u>	<u>Title</u>
Mike Kubik, Black Hawk County Sheriff	Board Chair
Michael Burke, Chief, Evansdale Police Department	Board Vice Chair
Thomas Jennings, Chief, Waterloo Police Department	Board Member
Rick Ahlstrom, Chief, Cedar Falls Police Department	Board Member
Barb Krizek, City of Waterloo representative	Board Member
John Mardis, Mayor, City of Evansdale	Board Member
Larry Feaker, Chief, LaPorte City Police Department	Board Member
Barbara Leestamper, Black Hawk County Board of Supervisors Appointee	Board Member
Karen Hibben-Levi, First Judicial District Court Administrator (Retired)	Board Member
Linda Nilges, First Judicial District Court Administrator (Appointed May, 2002)	Board Member
Cathy Rolf	Administrative Coordinator

Black Hawk County Criminal Justice Information System



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Independent Auditor's Report

To the Members of the Black Hawk County
Criminal Justice Information System:

We have audited the accompanying statement of cash transactions of the Black Hawk County Criminal Justice Information System as of and for the year ended June 30, 2002. This financial statement is the responsibility of the System's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned statement of cash transactions presents fairly, in all material respects, the results of the cash transactions of the Black Hawk County Criminal Justice Information System as of and for the year ended June 30, 2002 on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 24, 2003 on our consideration of the Black Hawk County Criminal Justice Information System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 24, 2003

Black Hawk County Criminal Justice Information System

Financial Statement

Exhibit A

Black Hawk County Criminal Justice Information System

Statement of Cash Transactions

For the year ended June 30, 2002

Receipts:

Assessments from:

Black Hawk County	\$ 63,101
City of Waterloo	74,722
City of Cedar Falls	42,000
City of Evansdale	20,500
City of La Porte City	2,488

Consolidated Communications Center participation:

Black Hawk County	9,600
City of Dunkerton	1,200

Interest on investments 4,533

Intelligent transportation system grant 28,752

Reimbursements from other local governments 22,000

Refunds and reimbursements 5,686

Total receipts 274,582

Disbursements:

System operation:

Equipment	129,597
Maintenance	13,253
Software support	39,227
Training	8,852
Telephone lines	36,321
Supplies	9,997
Contractual services	3,402

Office operation:

Salaries and benefits	24,835
Professional services	2,111
Other office operations	11,836
Total disbursements	<u>279,431</u>

Deficiency of receipts under disbursements (4,849)

Balance beginning of year 100,443Balance end of year \$ 95,594

See notes to financial statement.

Black Hawk County Criminal Justice Information System

Notes to Financial Statement

June 30, 2002

(1) Summary of Significant Accounting Policies

The Black Hawk County Criminal Justice Information System is a multi-agency computer information network established and maintained through a 28E Agreement entered into by the participating criminal justice agencies and their respective units of local government. The Board of Directors has been established to provide and maintain effective and efficient data processing operations to meet the operational and management information needs of the criminal justice agencies. The participating criminal justice agencies are:

Black Hawk County Sheriff's Department
Cedar Falls Police Department
Evansdale Police Department
Waterloo Police Department
La Porte City Police Department

A. Reporting Entity

For financial reporting purposes, Black Hawk County Criminal Justice Information System has included all funds, organizations, agencies, boards, commissions and authorities. The System 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 System are such that exclusion would cause the System's financial statements 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 System 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 System. The System has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Accounting

The Black Hawk County Criminal Justice Information System maintains its financial records on the basis of cash receipts and disbursements and this financial statement of the System 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 System in accordance with U.S. generally accepted accounting principles.

(2) Deposits

The System's deposits at June 30, 2002 and throughout the fiscal year were held in a credit union in amounts in excess of the amount covered by federal depository insurance. The System maintained an appropriate letter of credit as security for the excess deposits in accordance with Chapter 12C of the Code of Iowa. However, the letter of credit was not stored in a vault or safe-deposit box in a financial institution other than the credit union as required by Chapter 781-14.5(3) of the Iowa Administrative Code.

The System 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 System; 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 System had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Pension and Retirement Benefits

The Black Hawk County Criminal Justice Information System 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 which are 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, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the System is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The System's contributions to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$1,259, \$1,144, and \$1,107, respectively, equal to the required contributions for each year.

(4) Risk Management

Black Hawk County Criminal Justice Information System is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The System assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



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**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Officials of the Black Hawk County
Criminal Justice Information System:

We have audited the financial statement of the Black Hawk County Criminal Justice Information System as of and for the year ended June 30, 2002 and have issued our report thereon dated January 24, 2003. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Black Hawk County Criminal Justice Information System's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the System's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Black Hawk County Criminal Justice Information System. 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. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Black Hawk County Criminal Justice Information System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Black Hawk County Criminal Justice Information System's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. Prior year reportable conditions have not been resolved.

This report, a public record by law, is intended solely for the information of the members and customers of Black Hawk County Criminal Justice Information System and other parties to whom the System 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 Black Hawk County Criminal Justice Information System 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.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 24, 2003

Black Hawk County Criminal Justice Information System

Schedule of Findings

Year ended June 30, 2002

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- (A) Receipts - The System did not maintain a receipts journal to record and classify each receipt for the fiscal year.

Recommendation - A receipts journal should be maintained to properly record and classify all collections.

Response - A separate accounting sheet will be kept for monthly receipts to show the money put into individual line items.

Conclusion - Response accepted.

- (B) Monthly reconciling - The System does not prepare a monthly report that supports the cash balance. While the current monthly book balance report includes actual disbursements for the month, it includes budgeted receipts for the year.

Recommendation - The System should prepare a monthly report based on actual receipts and actual disbursements for the month that supports the actual cash balance on hand or in a financial institution at the end of the month.

Response - Starting July 1, 2003, we will attempt to have a new accounting report to show actual receipts and disbursements.

Conclusion - Response accepted.

- (C) Vacation and Sick Leave Policy and Procedures - The System has not adopted a written vacation and sick leave policy. Although the System maintains detailed records of vacation and sick leave earned and used, it is not reviewed for accuracy by an independent person.

Recommendation - The System should adopt a written vacation and sick leave policy and should implement procedures to ensure an independent person periodically reviews the vacation and sick leave balances for accuracy.

Response - This will be brought to the Boards attention and a committee formed to establish a written policy.

Conclusion - Response accepted.

Black Hawk County Criminal Justice Information System

Schedule of Findings

Year ended June 30, 2002

Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Black Hawk County Criminal Justice Information System. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Questionable Disbursements - No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 12, 1979.
- (3) Travel Expense - No disbursements of money for travel expenses of spouses of System officials or employees were noted.
- (4) Board Minutes - No transactions were found that we believe should have been approved in the System's minutes but were not.
- (5) Deposits and Investments - Except as follows, no instances of non-compliance with the deposits and pooled investments provisions of Chapters 12B and 12C of the Code of Iowa and the System's investment policy were noted.

Chapter 781-14.5(3) of the Iowa Administrative Code requires the System to store its letter of credit in a vault or a safe-deposit box in a financial institution other than the credit union, until such time as the letter of credit expires or is presented for payment. The System did not properly secure the letter of credit in a financial institution.

Recommendation - The System should secure the letter of credit in a vault or safe-deposit box in a financial institution other than its credit union as required by the Treasurer of State's Iowa Administrative Code.

Response - The secure letter of credit will be kept in the County Sheriff's office vault.

Conclusion - Response acknowledged. The letter of credit is required to be stored in a vault or safe-deposit box of a financial institution.

- (6) Business Transactions - No business transactions between the System and System officials or employees were noted.

Black Hawk County Criminal Justice Information System

Staff

This audit was performed by:

**Marlys K. Gaston, CPA, Manager
Kimberly M. Knight, Staff Auditor**

**Andrew E. Nielsen, CPA
Deputy Auditor of State**