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NEWS RELEASE

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FOR RELEASE July 1, 2015

Auditor of State Mary Mosiman today released a report on a review of the 8 Judicial Districts Department of Correctional Services (Districts) for the period July 1, 2009 through June 30, 2014. The review was performed to assess certain operations and selected financial transactions of the Districts.

Mosiman reported each of the State's 8 Districts are responsible for furnishing or contracting for services necessary to provide a community-based correctional program which meets the needs of the District. In addition, the Department of Corrections (DOC) is responsible for accreditation and funding of community-based corrections programs, including, but not limited to, pretrial release, presentence investigation, probation, parole, residential facilities, and work release centers.

Mosiman reported District employees participate in the Sick Leave Insurance Program (SLIP) established by section 70A.23 of the *Code of Iowa*. Chapter 70A of the *Code* 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. Mosiman reported since District employees participate in SLIP, they are considered State employees for these benefits and, therefore, the Districts should comply with the accrual rates and the maximum vacation accrual established in section 70A.1 of the *Code*.

Mosiman reported 3 of the 8 Districts accrue vacation at rates greater than the accrual rates for State employees and employees of the other Districts and 2 of the 8 Districts accrue sick leave at rates greater than the accrual rates for State employees and employees of the other Districts. As a result, the review identified \$584,309.95 of vacation accruals, \$255,519.55 of vacation payouts to former employees, and \$212,080.51 of sick leave awarded to District management employees which

were not available to State employees or employees of other Districts. These potential cost to taxpayers due to the District policies exceeds \$1,000,000.

Mosiman recommended DOC ensure the Districts comply with the limitations specified in the purchase of service agreements. Mosiman also recommended because the Districts receive substantial State funding through DOC and participate in State benefits, DOC should ensure the Districts' purchase of service agreements include budget guidelines and establish limitations for the following areas:

- State rules regarding accrual rates and the maximum vacation accrual,
- Payroll amounts and benefits,
- Benefits for retirement programs, and
- Any other applicable State rules and procedures.

A representative of the Attorney General's Office provided verbal guidance in September 2014 that the Districts are governmental subdivisions, not State agencies. However, Mosiman reported Districts have many characteristics of a State agency, including receiving State appropriations and reverting any unused balances and receiving approval from DOC on items such as budgets. Mosiman identified a number of additional factors which impact the ambiguity of the Districts' operations, including governmental subdivisions, such as cities, counties, and local school districts, do not receive State employee insurance benefits.

Mosiman also recommended the General Assembly clarify how the Districts should be classified. If the General Assembly determines the Districts are State agencies, policies and procedures should be established which ensure the Districts comply with all State policies and procedures, including those for benefits, pay scales, and accrual rates.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/1475-0000-00P0.pdf>.

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**REPORT ON A REVIEW
OF THE
JUDICIAL DISTRICTS
DEPARTMENT OF CORRECTIONAL SERVICES

FOR THE PERIOD
JULY 1, 2009 THROUGH JUNE 30, 2014**

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Auditor's Transmittal Letter

To the Governor; Members of the General Assembly;
and Jerry Bartruff, Director of the Iowa Department of Corrections:

In conjunction with our audit of the financial statements of the State of Iowa for the year ended June 30, 2014 and in accordance with Chapter 11 of the *Code of Iowa (Code)*, we have conducted a review of the Judicial Districts Department of Correctional Services (Districts). Our review included an assessment of certain operations and selected financial transactions of the 8 Districts. We applied certain tests and procedures for the period July 1, 2009 through June 30, 2014. Based on a review of relevant information, the *Code of Iowa*, and administrative rules, we performed the following procedures:

- (1) Interviewed Department and District personnel, reviewed applicable laws and regulations, and reviewed policies and procedures to obtain an understanding of certain District operations.
- (2) Examined policies, procedures, and supporting documentation for vacation and sick leave accruals to determine if policies and procedures were appropriate, including, but not limited to, being comparable to other Districts and State agencies and in compliance with Appendix S of the American Federation of State, County and Municipal Employees (AFSCME) Master Contract.
- (3) Reviewed pay ranges/classifications for District employees to determine reasonableness and if the maximum allowable pay per the Judicial Districts Department of Correctional Services Class List and Pay Ranges was exceeded for employees selected for testing.
- (4) Determined programs administered and/or operated by the Districts and compared services provided to determine whether services provided were consistent among the Districts.
- (5) Obtained and reviewed the Purchase of Service agreements entered into by the Districts with DOC to determine reasonableness and compliance with the agreements.

Based on these procedures, we identified certain findings regarding the Districts' operations which will help District funds be used in the best interest of the public and in the most efficient and economical manner possible. As a result, we have developed certain recommendations and other relevant information we believe should be considered by the Districts, the Department of Corrections, the Governor, and the General Assembly.

The procedures described above do not constitute an audit of financial statements conducted in accordance with U.S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of the Districts, other matters might have come to our attention that would have been reported to you.

We extend our appreciation to the personnel of the Iowa Department of Corrections and the Judicial Districts Department of Correctional Services for the courtesy, cooperation, and assistance provided to us during this review.



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 5, 2014

Report on a Review
of the Judicial Districts
Department of Correctional Services

Background Information

The Department of Corrections (DOC) is established by Chapter 904 of the *Code of Iowa* to be responsible for the control, treatment, and rehabilitation of offenders committed under law to penal institutions. DOC is also charged with operation of the State's penal institutions, Judicial Districts Department of Correctional Services' programs, Prison Industries, corrections administration, and contracting with the Judicial Districts Department of Correctional Services (Districts) for community correctional services. In addition, DOC is responsible for accreditation and funding of community-based corrections programs, including, but not limited to, pretrial release, presentence investigation, probation, parole, residential facilities, and work release centers. The community based corrections programs also include assistance provided to offenders to aid in making their reentry into society successful and reduce the likelihood of future victims. In accordance with section 905.2 of the *Code*, each of the State's 8 Districts are responsible for furnishing or contracting for services necessary to provide a community-based correctional program which meets the needs of the District.

A map of all 8 Districts is included in **Appendix 1**. Each District has a central office, which are located in the following cities:

- First Judicial District – Waterloo
- Second Judicial District – Ames
- Third Judicial District – Sioux City
- Fourth Judicial District – Council Bluffs
- Fifth Judicial District – Des Moines
- Sixth Judicial District – Cedar Rapids
- Seventh Judicial District – Davenport
- Eighth Judicial District - Fairfield

Each of the 8 Districts have a Board of Directors which provides oversight at the local level. In addition, all the Districts administer programs identified by hiring residential officers, probation/parole officers, treatment coordinators, and other personnel.

Establishment of Districts - On July 20, 1973, the General Assembly enacted the establishment of community-based correctional programs and services. According to Chapter 176 of the *Code of Iowa*, community-based correctional programs and services refer to locally administered programs and services designed to rehabilitate persons charged with or convicted of a felony or indictable misdemeanor and persons on parole or probation as a result a sentence for or conviction of these offenses. In addition, state funds were appropriated for the establishment, operation, maintenance, support, and evaluation of community-based correctional programs and services. This language became part of sections 217.24 through 217.29 of the *Code*.

In 1977, legislation created the Judicial Districts Department of Correctional Services but did not change the programs or services provided. The 1977 legislation also allowed the creation of Boards within each District. However, the allocation of any State funds appropriated for the establishment, operation, maintenance, support, and evaluation of community based correctional programs and services was the responsibility of the Division of Corrections within the Department of Social Services. Since the Districts were public agencies but not State

agencies, the employees who administered the community-based correctional programs and services were not considered State employees and did not receive any of the benefits provided to State employees.

In 1983, the General Assembly reorganized the structure of certain State agencies. The reorganization included removing the Division of Corrections from the Department of Social Services (DSS). Some of the duties previously performed by the Division of Corrections were transferred to the Judicial Districts Department of Correctional Services. The remaining duties performed by the Division of Corrections were transferred to the newly-created Department of Corrections (DOC).

The services transferred to the Judicial Districts Department of Correctional Services included adult parole and work release. According to DOC officials, the DSS employees transferred to the Districts to provide the adult parole and work release services were allowed to retain their “State employee status.” As a result, they continued to receive State benefits. However, the District employees who previously had been providing community based correctional programs and services did not receive “State employee status” because they had not previously been considered State employees.

When the General Assembly reorganized the structure of State agencies and established the Department of Corrections (DOC), Chapter 217A of the *Code* was created for the DOC. The legislative language was subsequently moved to Chapter 904 of the *Code*. In addition, the 1977 General Assembly created Chapter 905 of the *Code* for community-based correctional programs.

Table 1 summarizes the actions taken by the Legislature from 1973 through 1993 which affected the structure of entities which provided community-based correctional programs and services.

Table 1

Time Period	Summary of Legislative Action	Applicable Code Chapters	Classification of Employees and Duties
1973	Legislation established community-based correctional programs and services.	Chapter 176	Employees providing community-based correctional programs and services were not State employees.
1977	Legislation created Judicial Districts Department of Correctional Services (Districts).	Chapter 154	Classification and duties of Judicial District Department of Correctional Services employees did not change (not State employees).
1983	Reorganization of State agencies resulted in removing the Division of Corrections from the Department of Social Services (DSS). The Division’s duties were split between the newly-created Department of Corrections (DOC) and the Districts.	Chapter 217A for DOC Chapter 905 for Districts	Division of Corrections employees previously employed by DSS became employees of DOC or the Districts, based on job duties. Employees who provided adult parole and work release services transferred to the Districts. Other employees transferred to DOC. All former DSS employees were allowed to retain “State employee status.” However, previous District employees did not receive “State employee status.”
1993	Updates made to language found in the <i>Code of Iowa</i> for DOC which was previously located in Chapter 217A.	Chapter 904	No changes.

In addition, employees providing community-based correctional programs and services were not specifically listed in the AFSCME collective bargaining agreement until 1987. Beginning with the 1987 agreement, a separate appendix was included in the agreement which specified community based corrections employees were eligible to convert sick leave to vacation in certain circumstances at a rate greater than that available to non-union employees. The appendix also specifies the community based corrections employees have a higher level of maximum converted paid time off than that available to non-union employees.

DOC Responsibilities - According to section 904.103 of the *Code*, DOC is responsible for the accreditation and funding of the Districts' programs, including, but not limited to, pretrial release, probation, residential facilities, presentence investigation, parole, and work release. In addition, section 905.7 of the *Code* states DOC will provide assistance and support to the Districts to ensure compliance with Chapter 905 of the *Code*. Also, section 905.8 of the *Code* states DOC will provide for the allocation of State funds among the Districts.

Because DOC is responsible for allocating State appropriations among the Districts, DOC implemented a Purchase of Service (POS) agreement. The POS agreement is an annual contract between the Districts and DOC for the purpose of delineating how State funds will be allocated to the Districts for the delivery of community based correctional programs and services in the District. In addition, the POS agreements outline the responsibilities for all parties, including, but not limited to:

- DOC will provide State appropriated funding to the District.
- DOC will maintain the Iowa Correctional Offender Network computer system.
- Districts will report every instance of pay above the maximum established for the appropriate pay grade, a disclosure statement about any employee receiving extra pay, bonuses, honorariums, and funds from other sources related to their work as a District employee.
- Districts will submit quarterly revenue and expenditure reports to DOC by the 15th of the month following September, December, March and June. Budget forecasting reports will be submitted to DOC by the 12th of each month. Final reports detailing actual revenues and expenditures by source of funds, cost centers, personnel detail, and reversion of unexpended funds must be submitted to DOC by September 30th.

In addition, the POS agreements state, in part, when Districts "identify unexpected and projected surplus local funds, the District's budget will be adjusted to reflect additional funds." DOC representatives then make the necessary reallocation of unneeded State funds to other Districts or correctional facilities.

Classification of Districts - According to section 905.2 of the *Code*, each District is classified as a public agency; however, the Districts are state agencies for the purpose of tort claims in Chapter 669 of the *Code*. As a result, the Attorney General's Office (AG) represents the Districts in legal matters in accordance with Chapter 669 of the *Code*.

As previously stated, the *Code* establishes separate Boards for each District which can develop its own policies. The Boards of certain Districts have established policies which provide benefits to employees which exceed those provided to employees of other Districts and State agencies.

In September 2014, a representative of the AG's Office provided verbal guidance regarding whether or not the Districts are State agencies. According to the representative, Districts are governmental subdivisions, not State agencies.

Districts' Funding - The District's primary revenues are State allocations, federal support, revenue received from other entities, fees, refunds, and reimbursements. Federal support is primarily grants awarded to the Districts which the Districts applied for. The majority of fees received are from the costs paid by offenders for participating in programs offered by the Districts.

Schedule 1 summarizes the 8 Districts' State appropriations and federal revenue compared to total revenues for the period July 1, 2009 through June 30, 2014. The Districts' total State appropriations for this period range from 69% to 90% of the Districts' total revenues. In addition, some Districts received federal support ranging from \$28,185 to \$1,948,047 in addition to the State appropriations. As a point of comparison, fiscal year 2014 State appropriations accounted for approximately 9% to 71% of the total revenue received by certain state agencies. According to a DOC official and in accordance with section 8.33 of the *Code*, Districts are required to revert any unused funds from the State appropriations at the end of each fiscal year. Also, as required by the purchase of service agreements DOC establishes with each District, the Districts are required to report any amount reverted to DOC.

Detailed Findings

The procedures performed during the review identified certain findings regarding the Districts' operations. As a result, we have developed certain recommendations and other relevant information we believe should be considered by the Districts, the Department of Corrections, the Governor, and the General Assembly.

Paid Time Off

As previously stated, the Districts operate primarily on appropriations from the State. As a result, funding for payroll costs is provided by the State. In addition, non-management District employees are included in the collective bargaining agreement which covers State employees and received health insurance benefits under plans offered by the State. According to a representative of the Department of Administrative Services (DAS), District management employees are not covered by the State's collective bargaining agreement. In addition, DAS and the Districts have never created an agreement for benefits for District management employees.

As previously stated, according to section 905.2 of the *Code*, each District is classified as a public agency without specifying whether they are State agencies or governmental subdivisions. However, for the purpose of tort claims under Chapter 669 of the *Code*, the Districts are State agencies. In September 2014, a representative of the AG's Office provided verbal guidance which concluded Districts are governmental subdivisions rather than State agencies. Since the *Code* does not specify whether Districts are State agencies or governmental subdivisions, legislation is needed to clearly specify the classification of the Districts.

Because there is no clear classification of the Districts and employees of governmental subdivisions do not receive State benefits, we reviewed all 8 Districts' vacation and sick leave accrual policies to determine whether they are consistent with section 70A.1 of the *Code* which establishes the amount of vacation awarded to State employees based on their years of services. In addition, section 1C.2 of the *Code* establishes unscheduled holiday time for State employees, which is to be accrued as vacation. DAS has adopted administrative rules to implement these statutory requirements.

Vacation Accrual – Section 70A.1 of the *Code* specifies the vacation and sick leave accrual rates and the maximum vacation accrual for State employees. District officials do not believe these accrual rates and the maximum vacation accrual apply to District employees because they are not State employees. However, District employees participate in the Sick Leave Insurance Program (SLIP) established by section 70A.23 of the *Code* which allows State employees to use

their accumulated sick leave to pay the State’s share of health insurance premiums following their retirement. Chapter 70A of the *Code* specifies only State employees may participate in SLIP, in addition to specifying the vacation and sick leave accrual rates and the maximum vacation accrual for State employees. Because District employees participate in SLIP, they are considered State employees for these benefits and, therefore, the Districts should comply with the accrual rates and the maximum vacation accrual established in section 70A.1 of the *Code*.

The amount of vacation and unscheduled holiday hours awarded to non-management employees by each District agrees with the amount established for State employees. However, the amount of vacation and unscheduled holiday hours awarded to management employees by 3 Districts exceeds the amounts established by DAS in accordance with section 70A.1 of the *Code*. The amount of vacation and unscheduled holiday hours awarded to management employees by each District is compared to the amount established by DAS in **Table 2**.

Table 2

Judicial District	Vacation and Unscheduled Holiday Hours Accrued Annually Based on Years of Service for Management Employees*				
	0 - 4	5 - 11	12 - 19	20 - 24	25 or more
First	128	168	208	224	248
Second	96	136	176	192	216
Third	96	136	176	192	216
Fourth	96	136	176	192	216
Fifth	128	168	208	224	248
Sixth	136	176	216	232	256
Seventh	96	136	176	192	216
Eighth	96	136	176	192	216
DAS*	96	136	176	192	216

^ - Sixth Judicial District’s vacation and unscheduled holiday leave applies to management staff as of June 13, 2014. As of June 13, 2014, individuals transferred, promoted, or hired as management staff do not receive an additional 40 hours of vacation per year.

* - DAS rules include 16 hours of unscheduled holiday leave in addition to vacation earned based on years of service. The policy established by the First and Fifth Judicial Districts includes 48 hours of unscheduled holiday leave in addition to vacation earned based on years of service. The policy established by the Sixth Judicial District does not specify unscheduled holiday leave, but the amount of vacation accrued per pay period includes 16 hours of additional leave per year.

As illustrated by the **Table**, 5 of the 8 Districts have the same vacation accrual rate as State employees. Management employees of the remaining 3 Districts accrue higher rates of vacation and sick leave. As a result, the management employees of 3 Districts can accumulate higher vacation balances than employees of other Districts and State employees.

Because the First, Fifth, and Sixth Judicial Districts’ vacation accrual rates exceed the other 5 Districts and the accrual rates specified in section 70A.1 of the *Code*, we reviewed all management employees’ vacation accruals for the First, Fifth, and Sixth Judicial Districts. We also identified management employees from the Seventh and Eighth Judicial Districts received field staff status, which allows the employees to accrue additional vacation. However, according to District representatives, these employees are management employees and not field staff.

As a result, we obtained leave balances from the First, Sixth, Seventh, and Eighth Judicial Districts and a leave balance spreadsheet from the Fifth Judicial District for management employees for the period October 30, 2008 through April 18, 2014 to determine the financial impact to the District and potential additional costs to taxpayers for the additional vacation awarded to management employees. Based on the reports and spreadsheet we received, District management employees received the additional vacation per pay period for the period of review. We were unable to determine when the Districts began granting the additional vacation time to management employees. However, we identified District management employees who had accrued vacation balances at October 30, 2008 which exceeded the maximum vacation accrual established by DAS in compliance with section 70A.1 of the *Code*.

Table 3 summarizes the potential additional costs to taxpayers for additional vacation accruals and vacation payouts for the First, Fifth, Sixth, Seventh, and Eighth Judicial Districts. As previously stated, Districts are primarily funded by state appropriations. As a result, the payouts are primarily made with State funding.

Table 3

Judicial District	Vacation Accruals	Vacation Payouts	Total
First	\$ 196,288.40	10,941.82	207,230.22
Fifth	166,353.45	34,062.89	200,416.34
Sixth	131,066.49	210,514.84	341,581.33
Seventh	5,767.68	-	5,767.68
Eighth	84,833.93	-	84,833.93
Total	\$ 584,309.95	255,519.55	839,829.50

As illustrated by the **Table**, the potential cost to the taxpayers due to the additional vacation accrual totaled \$584,309.95. In addition, the Districts disbursed \$255,519.55 in additional vacation payouts to employees who retired or left employment with the Districts.

While the *Code* allows each District to establish its own policies, the Districts' primary funding source is appropriations from the State, including supplemental funding from the State to cover payroll expenses. Since State funds are being used for District payroll costs and District employees are considered State employees for these benefits because they participate in SLIP, the Districts should comply with section 70A.1 of the *Code* for non-contract employees and ensure all payments are in the best interest of the taxpayers. Because District employees receive vacation payouts of unused vacation at the time of their retirement or when the employees leave employment with the District, the increased vacation accrual rates result in increased vacation payouts.

Sick Leave Accrual – As stated previously, section 70A.1 of the *Code* specifies the vacation and sick leave accrual rates and the maximum vacation accrual for State employees. District officials do not believe these accrual rates and the maximum vacation accrual apply to District employees because they are not State employees. However, District employees participate in SLIP which is established by section 70A.23 of the *Code*. Chapter 70A of the *Code* specifies only State employees may participate in SLIP in addition to specifying the vacation and sick leave accrual rates and the maximum vacation accrual for State employees. Because District employees participate in SLIP, they are considered State employees for these benefits and, therefore, the Districts should comply with the accrual rates and the maximum vacation accrual established by section 70A.1 of the *Code*.

The amount of sick leave accrued by State employees and non-management employees in each District is dependent on individual employee sick leave balances. In accordance with section 70A.1 of the *Code*, when an employee's sick leave balance is 750 hours or less, the employee earns 5.54 hours of sick leave per pay period. When the balance is more than 750 hours but not more than 1,500 hours, the employee earns 3.69 hours of sick leave per pay period. Once the employee's sick leave balance exceeds 1,500 hours, the amount earned per pay period is reduced to 1.84 hours. DAS has adopted administrative rules to implement these statutory requirements.

Table 4 compares the amount of sick leave awarded to management employees by each District to the amount awarded to State employees. As illustrated by the **Table**, the amount of sick leave awarded to management employees by 2 Districts exceeds the amounts established by DAS.

Table 4

Judicial District	Sick Leave Hours Earned per Pay Period Based on Accumulated Balance		
	0 - 750	751 - 1,500	Over 1,500
First	9.23*	4.62*	4.62*
Second	5.54	3.69	1.84
Third	5.54	3.69	1.84
Fourth	5.54	3.69	1.84
Fifth	5.54	3.69	1.84
Sixth	5.54	5.54	5.54
Seventh	5.54	3.69	1.84
Eighth	5.54	3.69	1.84
DAS	5.54	3.69	1.84

* - First Judicial District uses 2 categories for management employees: 0 – 750 hours and 750+ hours.

As illustrated by the **Table**, the First and Sixth Judicial Districts award more sick leave hours to management employees than other Districts and the amounts established by DAS.

Because the First and Sixth Judicial District's management employees receive additional sick leave hours per year compared to State employees for whom DAS processes payroll and other Districts' employees, the First and Sixth Judicial Districts' financial condition was adversely affected. We reviewed the amount of sick leave awarded by the First and Sixth Judicial Districts to management employees of other Districts for the period July 1, 2008 through April 10, 2014 to determine the financial impact to the First and Sixth Judicial Districts for the additional sick leave awarded. Based on the reports we received, First and Sixth Judicial District management employees received additional sick leave each year during the period of our review. We were unable to determine when the Districts began granting the additional sick leave to management employees.

We determined the sick leave balances according to District records for 8 retired First Judicial District management employees and 26 current and former First Judicial District management employees who have not retired. In addition, we determined the sick leave balances according to District records for 11 retired Sixth Judicial District management employees and 36 current and former Sixth Judicial District management employees who have not retired. The calculated sick leave balances are based on the sick leave accrual rates used by DAS when processing payroll for State employees. The calculated balances do not adjust for sick leave accrued by the District for the employees prior to July 1, 2008.

Up to \$2,000.00 of the value of sick leave balances can be paid out upon retirement. In addition, the remaining value can be used to pay the State's share of health insurance premiums after the employee retires until the employee becomes Medicare eligible when the employee retires under SLIP. As a result, we reviewed the sick leave payouts and SLIP accounts for all eligible employees.

We reviewed the re-calculated sick leave balances for the 8 First Judicial District and 11 Sixth Judicial District employees who received the \$2,000.00 sick leave payout and determined all 19 employees' sick leave balances were large enough to allow the employees to receive the payout. Of the 8 employees retiring from the First Judicial District, 8 elected to participate in SLIP. In addition, 7 of the 11 employees retiring from the Sixth Judicial District elected to participate in SLIP.

According to the DAS benefits website, in order to be eligible for SLIP benefits, the employee must:

- Be employed in an eligible class, such as Executive Branch employees represented by the American Federation of State, County and Municipal Employees (AFSCME) or UE Local 893/Iowa United Professionals (UE/IUP), Executive Branch non-contract employees, and community based corrections employees.
- Have attained at least age 55 by their retirement date.
- Have applied for and received State pension benefits.
- Have a converted sick leave balance value greater than \$2,000.00 plus the cost of at least 1 month of the State's share of the employee's group health insurance premium.

After an employee is determined to be eligible for SLIP benefits, the value of the employee's sick leave balance is converted into a SLIP account balance based on a percentage of the sick leave value at the time of retirement. **Table 5** summarizes the sick leave conversion chart.

If the sick leave balance is:	The conversion rate is:
0 to 750 hours	60% of value
Over 750 to 1,500 hours	80% of value
Over 1,500 hours	100% of value

For the 15 retired First and Sixth Judicial District employees participating in SLIP, we obtained the employee's "Sick Leave Insurance Program Calculation Worksheet to be used to estimate SLIP Balance" from the First and Sixth Judicial District to determine the employee's sick leave balance used to calculate the beginning value of the SLIP account.

For the 15 retired employees participating in the SLIP program, we re-calculated the employee's beginning balance of their SLIP account because the First and Sixth Judicial Districts did not use the sick leave accrual rates specified in section 70A.1 of the *Code*. **Table 6** summarizes the total beginning balance of the employee's SLIP account according to the First and Sixth Judicial District and the total beginning balance of the employee's SLIP account based on our re-calculation of sick leave hours based on section 70A.1 of the *Code*.

Table 6

Description	First Judicial District	Sixth Judicial District	Total
SLIP Account:			
District Balance	\$ 628,242.53	502,352.12	1,130,594.65
Calculated Balance	576,344.80	342,169.34	918,514.14
Variance	\$ 51,897.73	160,182.78	212,080.51

As illustrated by the **Table**, the First and Sixth Judicial Districts calculated SLIP account balances totaled \$1,130,594.65 for the 15 employees. If the sick leave accrual rates specified in section 70A.1 of the *Code* had been applied, the SLIP account balances would have been \$918,514.14. Therefore, the First and Fifth Judicial Districts overstated the beginning balance of the 15 SLIP accounts by \$212,080.51.

Because factors such as the cost of future premiums are variable, we are unable to determine what portion, if any, of the additional \$212,080.51 of benefits shown in **Table 6** will be used by the employees prior to their eligibility for Medicare.

District employees may participate in SLIP upon retirement. In addition, some District employees chose to participate in SLIP's predecessor, the State Employee Retirement Incentive Program (SERIP) upon their retirement. Section 70A.23 of the *Code* specifies State employees, excluding those covered under a collective bargaining agreement which provides otherwise, may participate in SLIP. However, there is no provision in the *Code* which allows non-State employees to participate in SLIP.

As stated previously, Chapter 70A of the *Code* specifies only State employees may participate in SLIP, in addition to specifying the vacation and sick leave accrual rates and the maximum vacation accrual for State employees. District officials do not believe these accrual rates and the maximum vacation accrual apply to District employees because they are not State employees. However, District employees participate in SLIP which is established by section 70A.23 of the *Code*. Because District employees participate in SLIP, they are considered State employees for these benefits and, therefore, the Districts should comply with the accrual rates and the maximum vacation accrual established in section 70A.1 of the *Code*.

While the First and Sixth Judicial Districts' employees are participating in the programs, the Districts are not complying with the applicable accrual rates. When District employees of those Districts retire and their account balance for SLIP or SERIP is determined, it includes the value of unused sick leave earned at a rate in excess of sick leave earned in accordance with section 70A.1 of the *Code*. It is unclear why Districts would be allowed to participate in the SLIP or SERIP program if they do not comply with program requirements regarding the amount of sick leave hours that can be accrued by employees. All Districts should comply with rules of the program or their employees should not be allowed to participate in the programs.

Because the First and Sixth Judicial Districts award more sick leave to management employees than other Districts and the amounts established by DAS, these Districts will incur additional costs for SLIP.

We also identified 5 employees of the Eighth Judicial District whose sick leave accrual rates were not properly adjusted when the employees moved to a different accrual category identified in **Table 4**. As a result, the employees, in total, earned 11.26 hours more sick leave than allowable by the District's policy. Since these employees have not left employment with the District as of December 2014, the District has not incurred any additional expense or overstated any SLIP account balance.

Converting Sick Leave to Vacation – According to section 6.10 of the DAS Managers & Supervisors Manual, “An employee who has accumulated at least 240 hours of sick leave may elect to accrue additional vacation in lieu of the normal sick leave accrual. An employee who has made an election to convert sick leave to vacation will be credited with four hours of vacation for each full month when sick leave is not used during that month. A conversion shall not be made if the accumulated sick leave is less than 240 hours in the pay period in which the conversion would be made. The conversion of sick leave shall be prorated for part-time employees.”

According to Appendix S of the AFSCME contract, “Employees who have accumulated a minimum of 240 hours in their sick leave account and who do not use sick leave for a full calendar month may elect to have 6 hours added to their accrued vacation in lieu of adding their total monthly accrual to their accrued sick leave account. In the case of eligible permanent part-time employees, such conversion rights shall be prorated at the rate of 2 to 1 (1 hour of vacation for every 2 hours of earned sick leave).”

As previously stated, District non-management employees are included in the collective bargaining agreement which covers State employees and receive health insurance benefits under plans offered by the State. However, according to a representative of DAS, District management employees are not covered by the State’s collective bargaining agreement. In addition, DAS and the Districts have never established an agreement for payroll and health insurance benefits for management employees.

As a result, we selected a sample of contract and management employees from each District to determine if conversion rates were properly calculated according to Appendix S of the AFSCME contract and Section 6.10 of the DAS Management & Supervisors Manual. We determined all 8 Districts allow management employees to convert sick leave at the same rate as contract employees. Because management employees are not covered under Appendix S of the AFSCME contract, we calculated conversion rates based on section 6.10 of the DAS Management & Supervisors Manual.

Table 7 summarizes the potential costs to taxpayers for management employees of specific Districts for the period July 1, 2013 through June 30, 2014 due to the conversion rates not being in accordance with section 6.10 of the DAS Management & Supervisors Manual. We have not included the First, Fifth, and Sixth Judicial Districts in the **Table** because their conversion rates have been included in the calculations discussed above.

Judicial District	Potential Cost to Taxpayers
Second	\$ 1,961.24
Third	4,737.58
Fourth	967.26
Seventh	740.66
Eighth	(2,374.81)
Total	<u>\$ 6,031.93</u>

As illustrated by the **Table**, the total potential cost to taxpayers due to conversion rates not being in accordance with section 6.10 of the DAS Management & Supervisors Manual total \$6,031.93. For the Eighth Judicial District, we identified 2 employees who were allowed to convert in a month during which sick leave was used. According to the AFSCME contract and section 6.10 of the DAS Management & Supervisors Manual, employees are only eligible to convert sick leave for each full month when sick leave is not used during that month.

As a result, the Districts should ensure the sick leave balances of management employees are properly adjusted before retirement benefits are calculated.

Purchase of Service Agreements

The Districts enter into an annual Purchase of Service (POS) agreement with the Department of Corrections (DOC). The purpose of the POS agreement is to explain how State funds will be allocated to the Districts for the delivery of community correctional programs and services.

The POS agreement outlines responsibilities for DOC and the Districts. We reviewed the responsibilities specified in the agreements to determine compliance. The Districts and DOC were in compliance with 46 of the 47 requirements. For the remaining requirement, we determined DOC has not been conducting annual accreditation standards reviews. The accreditation standards reviews allow DOC to certify the Districts are in compliance with applicable state and federal laws, bylaws, policies, procedures and practices of the District.

According to a representative of DOC, DOC has not been conducting annual accreditation standards reviews due to making improvements to the certification process. In addition, DOC started performing accreditation standards certifications in November 2014. Of the 46 requirements reviewed, we performed additional testing for a pay grade requirement which is discussed in further detail in the following section.

Despite the POS agreements outlining responsibilities for DOC and the Districts, the POS agreements do not address the following:

- Repercussions if a party to the POS agreements fails to comply with the requirements.
- Repercussions if the Districts overspend.
- Addressing payroll related costs, such as benefits and paid time off, since the Districts' primary source of revenue is State appropriations.
- Monitoring and enforcement of responsibilities.

The Director of DOC signs each POS agreement and is responsible for the content of each agreement. Because the Director of DOC is appointed by the Governor, with confirmation by the Senate, the individual holding the position of DOC Director is subject to change. If there was a change in DOC Directors, the content of subsequent POS agreements may change between years. As a result, it would be in the best interest of the taxpayers, the Districts, and DOC if the Legislature clearly addressed and documented in the *Code* the classification of Districts.

Until the Legislature addresses the classification of Districts, the POS agreements with the Districts should include, or continue to include, the following:

- Pay scales – continue to establish reasonable pay scales.
- Accrual rates for paid time off – Acknowledge contract employees receive benefits in compliance with the AFSCME contract and specify maximum accrual rates for non-contract employees. DOC should specify in the POS agreements all accrual rates and benefits are to comply with maximums established by DAS.
- Bonuses – Address the allowability of bonuses paid with State funds.

- Allowability of disbursements – Specify all disbursements, including benefits, are to be reasonable, in the best interest of the public, and ensure efficient and economical operation of the District. In addition, the agreements should provide for a system of monitoring the Districts’ disbursements.
- Accounting systems – Specify all Districts are required to use uniform accounting and payroll systems to aid in budgeting, monitoring, and financial reporting.
- Any other State rules necessary to ensure proper use of State funds, such as competitive bidding.

Pay Grades

There is a requirement in the POS agreement between the Districts and DOC regarding pay above the maximum pay established for a pay grade. According to the POS agreement, the Districts are to “report every instance of pay above the maximum established for the appropriate pay grade, a disclosure statement about any employee receiving extra pay, bonuses, honorariums, and funds from other sources related to their work as a District employee” to DOC.

As a result, we reviewed each Districts employee’s wages and compared the wages to the Districts Department of Correctional Services Class List and Pay Ranges report for the period July 1, 2013 through June 30, 2014. In addition, we compared pay grades of District management employees to the pay grades for State management employees to determine if pay was reasonable and comparable.

During our review, we determined pay grades for District management employees are reasonable and comparable to State management employees. In addition, we determined all Districts complied with the Judicial Districts Department of Correctional Services Class List and Pay Ranges report. In the event an employee exceeded the maximum pay, it was in accordance with the AFSCME contract or was a leadworker pay increase which is allowable by DOC.

District Buildings

We confirmed all the Districts’ buildings are in the name of the District and are maintained by the District. Maintenance for District buildings is paid for by the Districts’ general operating funds. As previously stated, State funds are the primary component of the Districts’ funding.

Allocations and Funding

As previously stated, the Districts’ primary revenues are State allocations, federal support, revenue received from other state entities, fees, refunds, and reimbursements. The Districts’ total State appropriations range from 69% to 90% of the Districts’ total revenues each year. However, a number of State agencies, including the Department of Human Services, the Department of Transportation, Iowa Workforce Development, and the Department of Natural Resources, have similar funding sources. According to a DOC official and in accordance with section 8.33 of the *Code*, Districts are required to revert any unused funds from the State appropriations at the end of each fiscal year. Also, as required by the purchase of service agreements DOC establishes with each District, the Districts are required to report any amounts reverted to DOC.

Schedule 2 summarizes the Districts’ State appropriation history for the period July 1, 2009 through June 30, 2014. As illustrated by the **Schedule**, the Districts received supplemental funding approved by the Legislature for fiscal years 2010 through 2012, which ranged from \$2,031,219 to \$2,772,513. **Table 8** summarizes the total supplemental funding by District for the period July 1, 2009 through June 30, 2012.

Table 8

Judicial District	Fiscal Year Ended June 30,			Total
	2010	2011	2012	
First	\$ 110,275	393,353	453,140	956,768
Second	308,214	360,912	130,853	799,979
Third	18,010	221,793	352,616	592,419
Fourth	76,117	169,067	25,498	270,682
Fifth	790,020	723,637	155,338	1,668,995
Sixth	302,810	460,329	599,943	1,363,082
Seventh	24,923	265,431	223,774	514,128
Eighth	400,850	177,991	492,704	1,071,545
Total	\$ 2,031,219	2,772,513	2,433,866	7,237,598

As illustrated by the **Table**, total supplemental appropriations by District for the period July 1, 2009 through June 30, 2012 ranged from \$270,682 to \$1,668,995 and total \$7,237,598 for all Districts. In addition, the Fifth, Sixth, and Eighth Judicial Districts received over \$1 million in supplemental appropriations for the period July 1, 2009 through June 30, 2012.

The legislation which authorized the supplemental appropriations for fiscal years 2010 and 2011 did not specify the purpose of the supplemental appropriations. However, the “Notes on Bills and Amendments” to the Senate File which authorized the supplemental appropriations for fiscal year 2012 stated the additional funds were awarded to the Districts to fund existing filled positions. The additional funds were used each year to assist in paying salary increases. DOC was the only State agency which received additional funding for existing filled positions for fiscal year 2012.

In addition to receiving supplemental funding for fiscal year 2012, DOC also reallocated over \$650,000 of State appropriations from correctional institutions and 5 Districts to the Sixth Judicial District at the end of fiscal year 2012 to help alleviate a significant deficit. Section 6 of Senate File 510 enacted during the 2012 legislative session allows the Director of DOC to re-allocate the funds appropriated and allocate funds, as necessary, to best fulfill the needs of the correctional institutions, administration of the DOC, and the Judicial Districts Department of Correctional Services. It does not seem reasonable for a State agency to re-allocate funds appropriated for State agency operations to a governmental subdivision.

It is unclear why the First, Fifth, and Sixth Judicial Districts were given significant supplemental appropriations when they accrue vacation and/or sick leave at a rate greater than other Districts and the accruals allowed by section 70A.1 of the *Code*.

Cost Savings for DOC and the Districts

During our review, we compared the Districts to determine if all Districts are operating in a similar nature. We identified the following differences between the Districts:

- Of the 8 Districts, 5 follow policies established by section 70A.1 of the *Code* regarding the amount of vacation and sick leave awarded to State employees based on their years of service. However, the remaining 3 Districts have increased the amount of paid leave awarded to their non-union employees.

If all 8 Districts followed policies established by section 70A.1 of the *Code*, cost savings for taxpayers could be achieved and all District employees would receive the same benefits.

- Of the 8 Districts, 3 use the FundWare accounting system. However, if all Districts used the same accounting system, DOC's review of the financial reports would potentially be streamlined due to the familiarity of the reports.

If the Districts are State agencies, the Districts could be included in the State's accounting system. In addition to realizing cost savings on a statewide basis, being on the State's accounting system would allow the Districts to follow all State policies and rules and DOC would be able to provide proper oversight of the Districts' financial information.

- 4 of the 8 Districts have a High Risk Unit. Of the 4 Districts, the Sixth Judicial District is the only District which performs forfeitures. The remaining 3 Districts contact local law enforcement in the event a home check is more severe and dangerous than expected.

Because some of the Districts are operating differently regarding paid time off and are using different accounting systems, the Districts and DOC are not operating as efficiently as possible. In an attempt to provide cost saving measures for DOC and the Districts, DOC should consider requesting all Districts use the same accounting system or be included in the State's accounting system and have uniform accrual rates for vacation and sick leave at all 8 Districts.

Items for Further Consideration

As a result of our review, we identified the following items for further consideration by the Governor, the General Assembly, the Department of Corrections, and the Districts to help ensure the operation of the Districts is as cost effective and efficient as possible.

In September 2014, the AG's Office provided verbal guidance that the Districts are governmental subdivisions, not State agencies. While the *Code* does not specify Districts are State agencies, they have many of the characteristics of a State agency. Specifically:

- The Districts receive annual State appropriations. In addition, the Districts receive supplemental appropriations which were specifically for unfunded salary increases. Districts have received additional funding from the DOC when they have overspent their budget. State agencies generally do not receive any additional funding to cover deficits and reduce their budget in order to avoid deficits. Also, DOC reallocated over \$650,000 of State appropriations from correctional institutions and 5 Districts to the Sixth Judicial District at the end of fiscal year 2012 to help alleviate a significant deficit.
- Districts revert unused State appropriations.
- The Districts are not completely funded by State appropriations. The remaining funding sources include federal funds, local funds, and fees. However, a number of State agencies, including the Department of Human Services, the Department of Transportation, Iowa Workforce Development, and the Department of Natural Resources, have similar funding sources.
- The Districts are included in the Comprehensive Annual Financial Report for the State of Iowa and are included in the budgeting process of the General Assembly.

- For certain areas, DOC provides periodic and on-going oversight, instruction, monitoring, and approvals to Districts. This includes approval of FTEs, budgets, and pay increases above the maximums established for certain employees. DOC also provides similar oversight, instruction, monitoring, and approvals to correctional facilities, which are considered State agencies.
- Districts are considered State agencies for purposes of Chapter 669 of the *Code*, State Tort Claims.

While there are a number of similar characteristics, there also is ambiguity regarding the Districts' level of autonomy. The ambiguity is a result of how the Districts operate and how they are perceived by the public and the offenders they serve. In addition, the Districts are treated differently than other governmental subdivisions, such as cities, counties and local school districts.

Additional factors which impact the ambiguity of the Districts include, but are not limited to:

- Legislation established the community based correction programs in the early 1970's. In 1977, legislation created the Judicial District Department of Correctional Services. At that time, employees were not State employees and did not receive State benefits. In 1983, the General Assembly reorganized the structure of State government. The reorganization included resplitting the Department of Corrections from the Department of Social Services. Certain services previously performed by the Department of Social Services, such as adult parole and work release, were assigned to the Districts. At the same time, certain State employees were reassigned from the Department of Social Services to the Districts. However, the employees were allowed to maintain their "State employee status" and continue to receive State benefits.
- Contract employees at the Districts are included in the AFCSME collective bargaining agreement and are specified as a separate "class" of employees in an Appendix of the agreement. Specifically, a DOC official provided a summary of payroll positions as of April 9, 2015 which showed approximately 87% of all District employees are contract-covered and, therefore, are provided State employee benefits. However, there is no specific provision allowing non-union covered District employees to receive State benefits.
- Of the 8 Districts, 5 follow section 70A.1 of the *Code* regarding the amount of vacation and sick leave awarded to State employees based on their years of service. However, the remaining 3 Districts have increased the amount of paid leave awarded to their non-union employees. Employees of the 3 Districts accruing vacation and sick leave at a higher rate are participating in the Sick Leave Insurance Program (SLIP). As a result, District employees are accumulating higher SLIP balances than State employees upon retirement.
- Governmental subdivisions, such as cities, counties, and local school districts do not receive State employee insurance benefits.
- DAS provides oversight of all State employees who participate in benefit programs, such as dental insurance and health insurance, including SLIP and SERIP. However, DAS does not provide oversight of District employees who participate in these programs.
- Based on our interviews with officials in the 8 Districts, most responded they consider themselves to be State employees.

- Of the 8 Districts, 3 have the same accounting system and the remaining 5 Districts have different accounting systems. Because Districts are not using the same accounting systems, DOC or other agencies cannot efficiently request and review specific reports from each District. In addition, cost savings may be realized if the same accounting system was used by all Districts.

As a result of the ambiguity regarding the status of the Districts, the General Assembly should consider clarifying how they should be classified. If the General Assembly determines Districts are to be considered State agencies, policies and procedures should be established to ensure the Districts comply with all State policies and procedures, including the policies for benefits, pay scales, and vacation and sick leave accrual rates. In addition, the General Assembly should consider requiring Districts be added to the State's centralized accounting and payroll systems.

A concern brought to our attention regarding the classification of Districts as State agencies is there would no longer be any local control of how District funds are used. However, being a State agency would not prohibit a local board from determining the programming and services which best serve their community. While local boards would have to comply with State rules, as they currently do, they would have discretion on the mix of programs and services provided in their communities. This is no different than current State agencies with Boards or Commissions.

However, if the General Assembly determines Districts are not State agencies, they should not be allowed to participate in State benefit programs unless governmental subdivisions are specifically allowed to participate per legislative action. In addition, if the General Assembly determines Districts are not State agencies, DOC should no longer reallocate funds from correctional institutions to any of the Districts. It would not be appropriate to reallocate funds appropriated for State agency operations to an entity which is not a State agency.

Regardless of the determination made by the General Assembly, because State funding is the primary funding source, DOC should continue to provide oversight of the Districts. The purchase of service agreements DOC establishes with each District should clearly address the ambiguities regarding participation in the State's benefit programs. The agreements with the Districts should include, or continue to include, the following:

- Budget guidelines – Tracking and reporting mechanisms which allow for timely detection of areas of concern.
- Pay scales – Continue to establish reasonable pay scales.
- Accrual rates for paid time off – Acknowledge contract employees receive benefits in compliance with AFSCME bargaining agreements and specify accrual rates and the maximum vacation accrual for non-contract employees are to be in accordance with section 70A.1 of the *Code*.
- Bonuses – Address the allowability of bonuses paid with State funds.
- Allowability of disbursements – Specify all disbursements, including benefits, are to be reasonable, in the best interest of the public, and ensure efficient and economical operation of the District. In addition, the agreements should provide for a system for monitoring the Districts' disbursements.
- Accounting systems – Specify all Districts are required to use uniform accounting and payroll systems to aid in budgeting, monitoring, and financial reporting.
- Any other State rules necessary to ensure proper use of State funds, such as competitive bidding.

Findings and Recommendations

We reviewed controls and compliance with policies and procedures for vacation and sick leave accruals, pay ranges, selected District programs, contracting with the Department of Corrections (DOC), and selected financial information for the Districts. In addition, we determined if policies and procedures were reasonable and appropriate and complied with relevant requirements of the *Code of Iowa* and DAS administrative rules and procedures. As a result, we identified certain findings and recommendations regarding the Districts' operations which should be considered by the Governor, Members of the General Assembly, DOC, and the Districts.

FINDING A – Paid Time Off

The Districts operate primarily on appropriations from the State of Iowa and funding is 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 health, dental, and other benefits.

As previously stated, 5 of the 8 Districts have the same vacation accrual rate specified by DAS in accordance with statutory requirements. Management employees of the remaining 3 Districts accrue higher rates of vacation and sick leave. As a result, the 3 Districts' management employees can accumulate higher SLIP balances than employees of other Districts and State employees.

We also identified 5 employees of the Eighth Judicial District whose sick leave accrual rates were not properly adjusted when the employees moved into a different accrual category. As a result, the employees, in total, earned 11.26 hours more sick leave than allowable by the District's policy. Since these employees have not left employment with the District as of December 2014, their SLIP balances have not been overstated.

During our review, we identified all 8 Districts were allowing management employees to convert sick leave to vacation at the same rate as contract employees. Because management employees are not covered under Appendix S of the AFSCME contract, management employees should not be allowed to convert sick leave at the same rate as contract employees if they are covered by section 6.10 of the DAS Management & Supervisors Manual.

Section 70A.1 of the *Code* specifies the vacation and sick leave accrual rates and the maximum vacation accrual for State employees. District officials do not believe these accrual rates and the maximum vacation accrual apply to District employees because they are not State employees. However, District employees participate in the Sick Leave Insurance Program (SLIP) which is established by section 70A.23 of the *Code*. Chapter 70A of the *Code* 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. Because District employees participate in SLIP, they are considered State employees for these benefits and, therefore, the Districts should comply with the accrual rates and the maximum vacation accrual established in section 70A.1 of the *Code*.

A representative of the AG's Office has provided verbal guidance that the Districts are governmental subdivisions, not State agencies. However, the Districts act as a State agency rather than as a governmental subdivision in many areas, such as:

- Districts receive State appropriations and must revert any unused balances,
- Districts receive approval from DOC on items such as budgets and annual reports, and
- District employees participate in State employee benefit programs.

Recommendation - The General Assembly should consider clearly defining the Districts as State agencies or governmental subdivisions. The definition will determine which policies are to be followed and the flexibility the Districts will have to determine their own policies. Specifically, if the General Assembly defines Districts as State agencies, they would not have flexibility to determine their own policies regarding paid time off.

Until legislation changes, DOC should amend or change the Purchase of Service agreements to address the inconsistencies between the Districts and ensure compliance with the rules and regulations DOC determines reasonable.

FINDING B – Purchase of Service Agreements

Annually, the 8 Districts enter into a Purchase of Service (POS) agreement with the Department of Corrections (DOC). The purpose of the POS agreement is to explain how State funds will be allocated to the Districts for the delivery of community correctional programs and services by the Districts.

We identified DOC had not been (but currently is) conducting annual accreditation standards reviews in accordance with the POS agreements. The accreditation standards reviews allow DOC to certify the Districts are in compliance with applicable state and federal laws, bylaws, policies and procedures and practices of the District.

In addition, we determined the POS agreements do not address the following:

- Repercussions if a party to the agreement fails to comply with the requirements.
- Repercussions if the Districts overspend.
- Addressing payroll related costs, such as benefits and paid time off, since the Districts primary source of revenue is State appropriations.
- Monitoring and enforcement of responsibilities.

Recommendation – DOC should continue to conduct annual accreditation standards reviews in accordance with the POS agreements. In addition, DOC should review the requirements in the POS agreements to determine if any additional items should be included.

FINDING C – Allocations and Funding

As previously stated, the District's primary revenues are State allocations, federal support, revenue received from other entities, fees, refunds, and reimbursements. In fiscal year 2012, DOC re-allocated \$663,568 from State agencies and other Districts to support the Sixth Judicial District because of a deficit.

Section 6 of Senate File 510 enacted during the 2012 legislative session allows the Director of DOC to re-allocate the funds appropriated and allocate funds, as necessary, to best fulfill the needs of the correctional institutions, administration of the DOC, and the Judicial Districts Department of Correctional Services. It does not seem reasonable for a State agency to re-allocate funds appropriated for State agency operations to a governmental subdivision.

Recommendation – If the General Assembly does not define Districts as State agencies, re-allocation of state appropriations from State agencies to the Districts should no longer be allowed. In addition, the Legislature and DOC should consider how to address Districts which overspend their available resources.

FINDING D – Differences Between Districts

As previously stated, Chapter 905 of the *Code* was created for the community-based correctional program. However, during our review, we identified the following differences between the Districts:

- 3 of the 8 Districts use the same accounting system, which is FundWare.
- 4 of the 8 Districts have a High Risk Unit. Of the 4 Districts, Sixth Judicial District is the only one which performs forfeitures. The remaining 3 Districts contact local law enforcement in the event a home check is more severe and dangerous than expected.
- Sixth Judicial District is the only District to have a foundation. The First Judicial District had a foundation which dissolved in 2010.

Recommendation – DOC and the Districts should consider using the State’s payroll system or having all Districts use the same accounting software to ensure consistency and transparency among the Districts. In addition, DOC and the Districts should ensure all policies, rules, and regulations are complied with regarding forfeiture funds.

**Report on a Review of the
Judicial Districts
Department of Correctional Services**

Schedules

Schedule 1

A Review of the Judicial Districts Department of Correctional Services

Primary Funding Sources
For the Period July 1, 2009 through June 30, 2014

Judicial District	FY 2010			FY 2011		
	State	Federal	Total	State	Federal	Total
First	\$ 12,066,497	1,094,192	15,844,047	11,918,650	1,441,452	16,383,670
Second	10,094,517	1,026,927	13,254,590	10,557,920	1,133,326	13,347,127
Third	5,763,700	-	6,772,368	5,848,750	-	6,817,085
Fourth	5,556,883	-	6,151,493	5,420,126	-	6,050,635
Fifth	17,273,311	-	23,309,761	18,833,948	53,362	25,149,625
Sixth	13,012,970	1,843,601	17,831,161	13,340,373	1,963,649	17,461,984
Seventh	6,995,774	661,676	8,901,112	6,475,358	791,227	8,647,370
Eighth	6,362,202	28,185	8,353,927	7,019,179	114,795	8,265,870
Total	\$ 77,125,854	4,654,581	100,418,459	79,414,304	5,497,811	102,123,366

Judicial District	FY 2012			FY 2013		
	State	Federal	Total	State	Federal	Total
First	\$ 12,633,086	903,795	16,780,724	12,958,763	801,544	16,898,010
Second	10,447,126	1,060,010	13,118,478	10,870,425	777,076	13,281,491
Third	5,940,624	-	6,832,004	6,238,455	-	7,092,738
Fourth	5,416,853	-	6,165,795	5,495,309	-	6,281,977
Fifth	18,810,142	-	25,378,772	19,381,520	-	24,638,647
Sixth	14,374,406	1,948,047	18,334,640	14,095,408	291,589	18,116,686
Seventh	6,710,516	1,034,464	9,029,352	6,835,509	1,219,892	9,434,249
Eighth	7,372,419	231,587	8,774,070	7,518,935	184,093	8,989,077
Total	\$ 81,705,172	5,177,903	104,413,835	83,394,324	3,274,194	104,732,875

A Review of the Judicial Districts Department of Correctional Services

Primary Funding Sources
For the Period July 1, 2009 through June 30, 2014

Judicial District	FY 2014		
	State	Federal	Total
First	\$ 14,229,039	635,945	18,070,047
Second	10,962,969	627,532	13,303,417
Third	6,877,177	-	8,297,625
Fourth	5,540,309	-	6,479,664
Fifth	19,306,036	-	25,329,836
Sixth	14,394,609	735,981	18,725,761
Seventh	7,120,421	1,328,300	10,320,959
Eighth	8,005,453	162,808	9,813,257
Total	<u>\$ 86,436,013</u>	<u>3,490,566</u>	<u>110,340,566</u>

A Review of the Judicial Districts Department of Correctional Services

Appropriations and Reallocations
For the Period July 1, 2009 through June 30, 2014

Judicial District	Fiscal Year 2010			
	Adopted Budget	10% Reduction	Furlough/Deferred Comp Savings	Legislative Supplemental
First	\$ 13,242,989	(1,324,299)	37,532	110,275
Second	11,096,272	(1,109,627)	107,872	308,214
Third	5,939,602	(593,960)	400,048	18,010
Fourth	5,755,000	(575,500)	330,037	76,117
Fifth	19,278,247	(1,927,825)	(117,131)	790,020
Sixth	13,787,019	(1,378,702)	901,885	302,810
Seventh	7,152,217	(715,222)	458,856	24,923
Eighth	7,102,030	(710,203)	(142,351)	400,850
Total	\$ 83,353,376	(8,335,338)	1,976,748	2,031,219

Judicial District	Fiscal Year 2011			
	Adopted Budget	SF 2366 Carryforward	Reduction	Legislative Supplemental
First	\$ 12,453,082	-	(926,337)	393,353
Second	10,770,616	308,214	(794,580)	360,912
Third	5,715,578	-	(435,492)	221,793
Fourth	5,522,416	28,771	(300,128)	169,067
Fifth	18,938,081	750,000	(1,254,589)	723,637
Sixth	13,030,356	227,810	(780,932)	460,329
Seventh	6,846,560	-	(619,177)	265,431
Eighth	6,935,622	288,124	(382,558)	177,991
Total	\$ 80,212,311	1,602,919	(5,493,793)	2,772,513

Change of Allocation	SF 2366 Carryforward	Reversion	Total
-	-	-	12,066,497
-	(308,214)	-	10,094,517
-	-	-	5,763,700
-	(28,771)	-	5,556,883
-	(750,000)	-	17,273,311
(75,000)	(227,810)	(297,232)	13,012,970
75,000	-	-	6,995,774
-	(288,124)	-	6,362,202
-	(1,602,919)	(297,232)	77,125,854

Public Safety Enf. Fund	Change of Allocation	T&T* Carryforward	Reversion	Total
100,000	(101,448)	-	-	11,918,650
-	(87,242)	-	-	10,557,920
-	346,871	-	-	5,848,750
-	-	-	-	5,420,126
335,000	(158,181)	(250,000)	(250,000)	18,833,948
402,810	-	-	-	13,340,373
-	-	(8,728)	(8,728)	6,475,358
-	-	-	-	7,019,179
837,810	-	(258,728)	(258,728)	79,414,304

A Review of the Judicial Districts Department of Correctional Services
 Appropriations and Reallocations
 For the Period July 1, 2009 through June 30, 2014

Judicial District	Fiscal Year 2012		
	Adopted Budget	PY T&T* Carryforward	Legislative Supplemental
First	\$ 12,204,948	-	453,140
Second	10,336,948	-	130,853
Third	5,599,765	-	352,616
Fourth	5,391,355	-	25,498
Fifth	18,742,129	250,000	155,338
Sixth	13,112,563	-	599,943
Seventh	6,492,814	8,728	223,774
Eighth	6,879,715	-	492,704
Total	\$ 78,760,237	258,728	2,433,866

Judicial District	Fiscal Year 2013		
	Adopted Budget	PY T&T* Carryforward	Legislative Supplemental
First	\$ 12,958,763	-	-
Second	10,870,425	-	-
Third	6,238,455	-	-
Fourth	5,495,309	-	-
Fifth	19,375,428	150,000	-
Sixth	14,095,408	-	-
Seventh	6,895,634	767	-
Eighth	7,518,935	-	-
Total	\$ 83,448,357	150,767	-

Change of Allocation^	T&T* Carryforward	Reversion	Total
(25,002)	-	-	12,633,086
(20,675)	-	-	10,447,126
(11,757)	-	-	5,940,624
-	-	-	5,416,853
(37,325)	(150,000)	(150,000)	18,810,142
663,568	-	(1,668)	14,374,406
(13,266)	(767)	(767)	6,710,516
-	-	-	7,372,419
555,543	(150,767)	(152,435)	81,705,172

Change of Allocation	T&T* Carryforward	Reversion	Total
-	-	-	12,958,763
-	-	-	10,870,425
-	-	-	6,238,455
-	-	-	5,495,309
-	(71,954)	(71,954)	19,381,520
-	-	-	14,095,408
-	(30,446)	(30,446)	6,835,509
-	-	-	7,518,935
-	(102,400)	(102,400)	83,394,324

A Review of the Judicial Districts Department of Correctional Services
 Appropriations and Reallocations
 For the Period July 1, 2009 through June 30, 2014

Judicial District	Fiscal Year 2014			
	Adopted Budget	PY T&T* Carryforward	Legislative Supplemental	Appropriation Transfer (A34)^
First	\$ 14,099,085	-	-	230,000
Second	10,870,425	-	-	92,544
Third	7,105,865	-	-	-
Fourth	5,495,309	-	-	45,000
Fifth	19,375,428	71,954	-	239,000
Sixth	14,638,537	-	-	-
Seventh	7,609,781	30,446	-	-
Eighth	8,206,613	-	-	-
Total	\$ 87,401,043	102,400	-	606,544

* - Technology and Training.

^ - During fiscal years 2012 and 2014, there were changes of allocations or appropriation transfers among the Districts and DOC Central Office and DOC Institutions. The changes in allocations and appropriation transfers are listed below.

Agency/Institution	FY12	FY14
DOC Central Office	\$ (10,234)	(2,571,309)
Iowa State Penitentiary	(83,533)	167,000
Anamosa State Penitentiary	(63,537)	400,765
Iowa Medical and Classification Center	(137,035)	518,000
Newton Correctional Facility	(52,542)	318,000
Mount Pleasant Correctional Facility	(51,990)	150,000
North Central Correctional Facility	(18,573)	50,000
Clarinda Correctional Facility	(49,037)	150,000
Iowa Correctional Institution for Women	(31,271)	105,000
Fort Dodge Correctional Facility	(57,791)	106,000
Total	\$ (555,543)	(606,544)

Change of Allocation	T&T * Carryforward	Reversion	Total
-	(50,023)	(50,023)	14,229,039
-	-	-	10,962,969
-	(114,344)	(114,344)	6,877,177
-	-	-	5,540,309
-	(190,173)	(190,173)	19,306,036
-	(121,964)	(121,964)	14,394,609
-	(250,194)	(269,612)	7,120,421
-	(100,580)	(100,580)	8,005,453
-	(827,278)	(846,696)	86,436,013

A Review of the Judicial Districts Department of Correctional Services

Staff

This review was conducted by:

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Deputy Auditor of State

Appendix

Appendix A

A Review of the Judicial Districts Department of Correctional Services

Districts Within Iowa
For the Period July 1, 2009 through June 30, 2014

