



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

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NEWS RELEASE

FOR RELEASE

October 8, 2018

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released a combined report on the eight Judicial District Departments of Correctional Services for the year ended June 30, 2017.

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

Total revenues ranged from \$6,882,585 at the Fourth Judicial District Department to \$27,868,556 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,730,250 at the Fourth Judicial District Department to \$26,926,035 at the Fifth Judicial District Department.

Mosiman made recommendations to strengthen internal controls at certain District Departments. The District Departments' responses are included in the report.

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

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

JUNE 30, 2017

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September 26, 2018

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


The eight individual Judicial District Departments of Correctional Services (District Departments) are part of the State of Iowa and, as such, have been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2017.

In conducting our audits, we became aware of certain aspects concerning the various District Departments' operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which pertain to the District Departments' internal control as well as statutory and other matters. These recommendations have been discussed with personnel at each applicable District Department and their responses to these recommendations are included in this report. While we have expressed our conclusions on the District Departments' responses, we did not audit the District Departments' responses and, accordingly, we express no opinion on them.

We have also included certain unaudited financial information for the District Departments for the year ended June 30, 2017.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Judicial District Departments of Correctional Services, citizens of the State of Iowa and other parties to whom the Judicial District Departments of Correctional Services may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District Departments during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the District Departments are listed on pages 10, 13, 14, 15, 16, 17, 18, and 19, and they are available to discuss these matters with you.


MARY MOSIMAN, CPA
Auditor of State

cc: Honorable Kim Reynolds, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

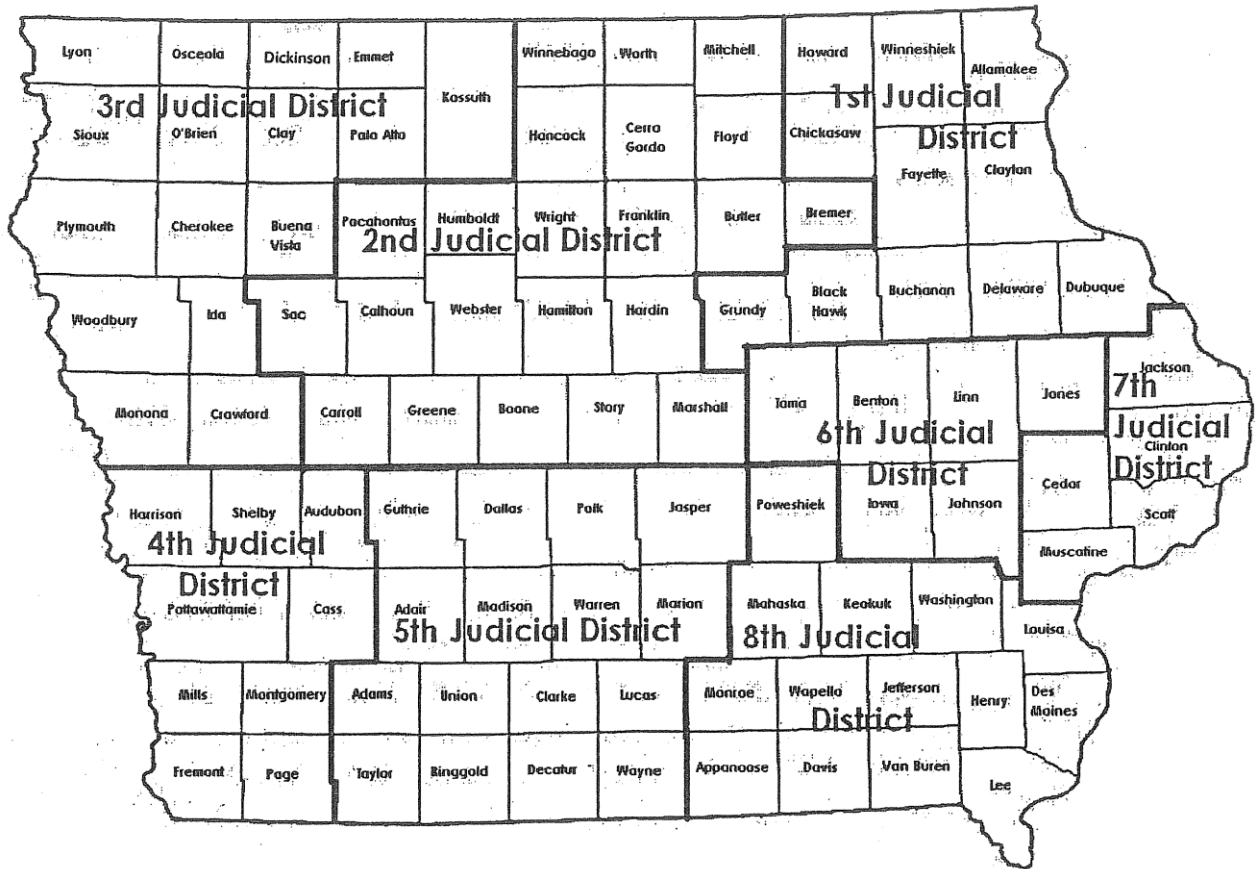
Eight Judicial District Departments of Correctional Services

Overview

Background

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

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



Eight Judicial District Departments of Correctional Services

Overview

Scope and Methodology

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

- (1) State allocations, transfers between District Departments and reversion amounts were netted and titled net state appropriation allocation for this report.
- (2) The receipts from other entities category was titled federal, state and local grants and contracts for this report.
- (3) The fees, licenses and permits and refunds and reimbursements categories have been combined and titled fees, refunds and reimbursements for this report.
- (4) Sales, rents and services and miscellaneous categories have been combined and titled rents and miscellaneous for this report.

Summary Observation

Total revenues ranged from \$6,882,585 at the Fourth Judicial District Department to \$27,868,556 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,730,250 at the Fourth Judicial District Department to \$26,926,035 at the Fifth Judicial District Department.

Judicial District Departments

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

Year ended June 30, 2017

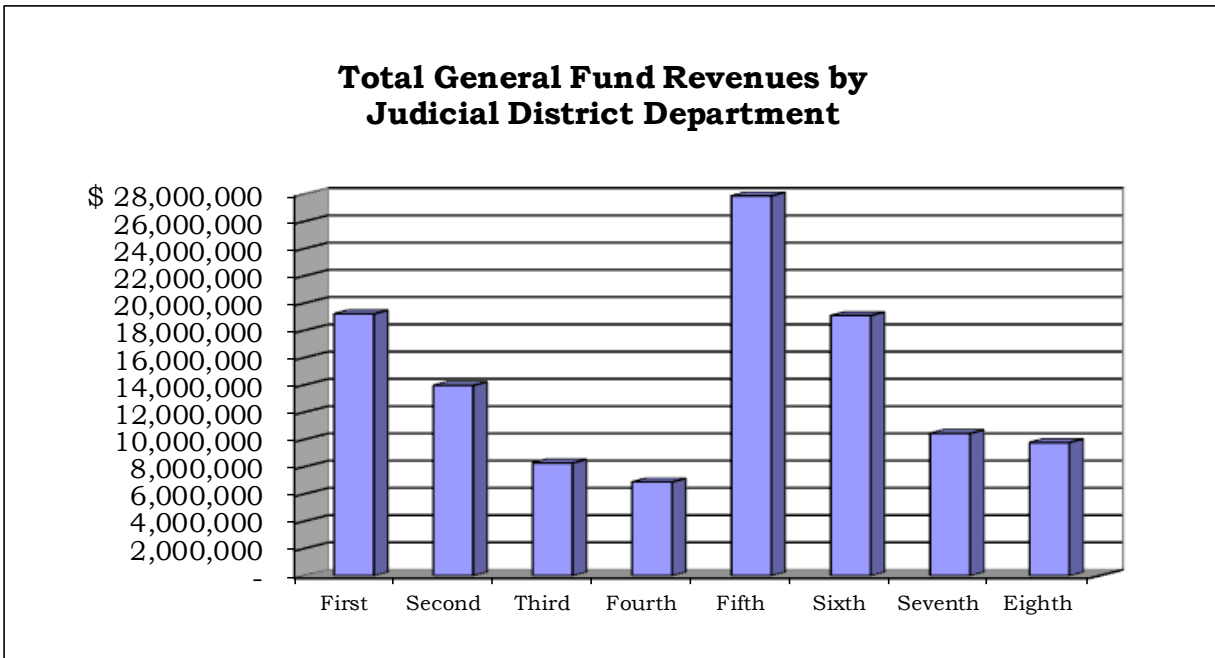
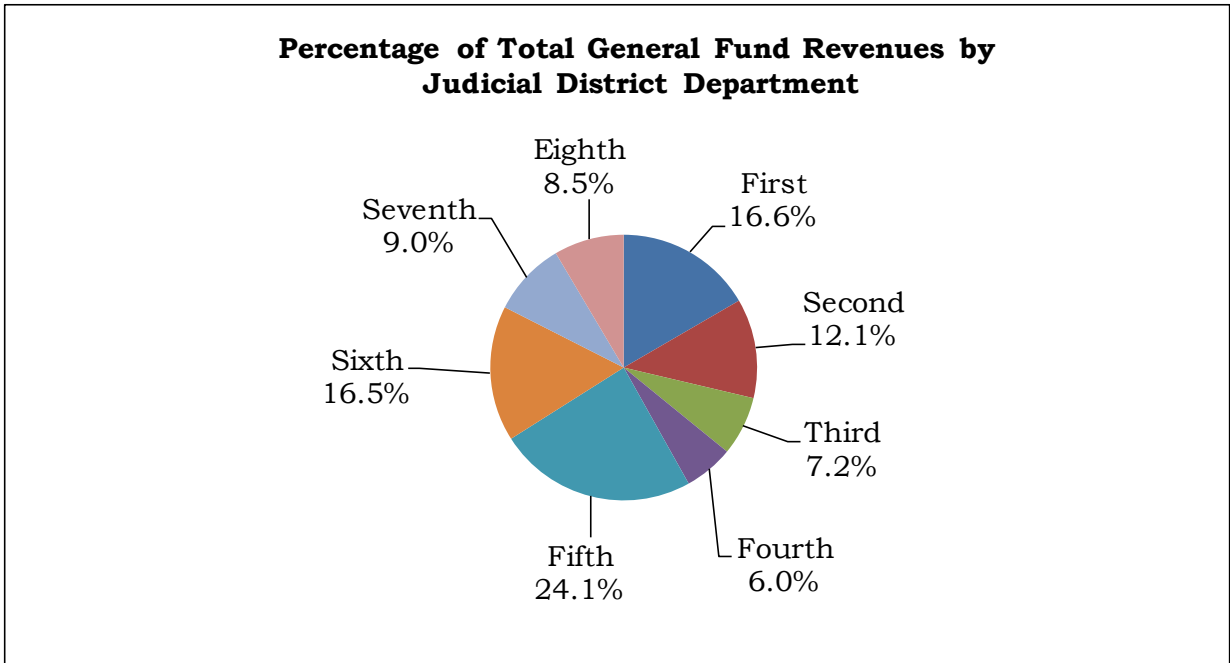
	Judicial		
	First	Second	Third
Revenues:			
Net state appropriation allocation	\$ 14,636,766	11,383,739	7,167,956
Federal, state and local grants and contracts	1,581,804	759,041	-
Interest on investments	4,790	5,847	1,682
Fees, refunds and reimbursements	2,997,109	1,748,777	454,609
Rents and miscellaneous	-	69,548	654,207
Total revenues	19,220,469	13,966,952	8,278,454
Expenditures:			
Personal services	17,107,533	12,692,341	7,747,241
Travel and subsistence	59,371	96,868	48,249
Supplies	672,184	332,126	167,702
Contractual services	1,152,044	812,914	343,247
Equipment and repairs	96,300	176,921	55,747
Claims and miscellaneous	34,416	-	20,355
Plant improvements	-	8,658	-
Total expenditures	19,121,848	14,119,828	8,382,541
Excess (deficiency) of revenues over (under) expenditures	98,621	(152,876)	(104,087)
Fund balance beginning of the year	708,770	951,084	537,755
Fund balance end of the year	\$ 807,391	798,208	433,668

District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
5,579,922	20,857,940	14,713,165	7,777,341	8,084,521	90,201,350
141,732	1,800,156	343,095	-	258,767	4,880,595
69	8,003	7,798	4,003	3,683	35,875
1,120,091	5,100,854	3,886,540	2,590,564	1,423,649	19,322,193
40,771	101,603	136,662	72,176	10,366	1,085,333
6,882,585	27,868,556	19,087,260	10,444,084	9,780,986	115,525,346
5,920,035	23,604,133	16,766,872	9,222,595	8,792,506	101,853,256
54,662	114,768	67,670	49,437	78,212	569,237
323,560	356,926	635,287	482,871	255,963	3,226,619
351,890	2,640,303	830,587	665,271	530,855	7,327,111
63,649	163,314	356,177	34,178	165,524	1,111,810
16,454	46,591	213,419	61,187	156,931	549,353
-	-	-	-	-	8,658
6,730,250	26,926,035	18,870,012	10,515,539	9,979,991	114,646,044
152,335	942,521	217,248	(71,455)	(199,005)	879,302
213,231	73,327	731,531	644,815	573,436	4,433,949
365,566	1,015,848	948,779	573,360	374,431	5,313,251

Judicial District Departments

General Fund Revenues by Judicial District Department
(Unaudited)

Year ended June 30, 2017

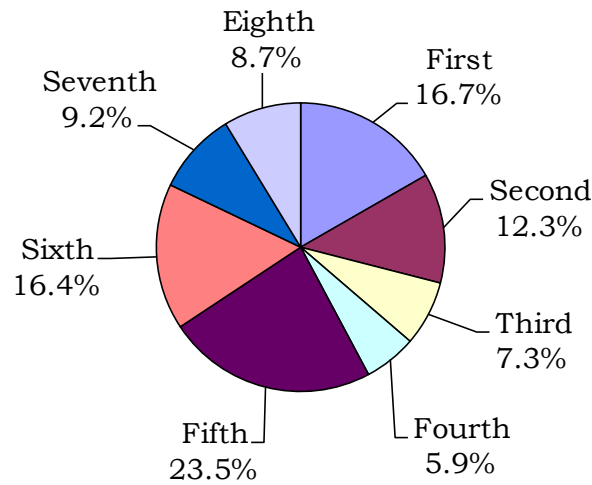


Judicial District Departments

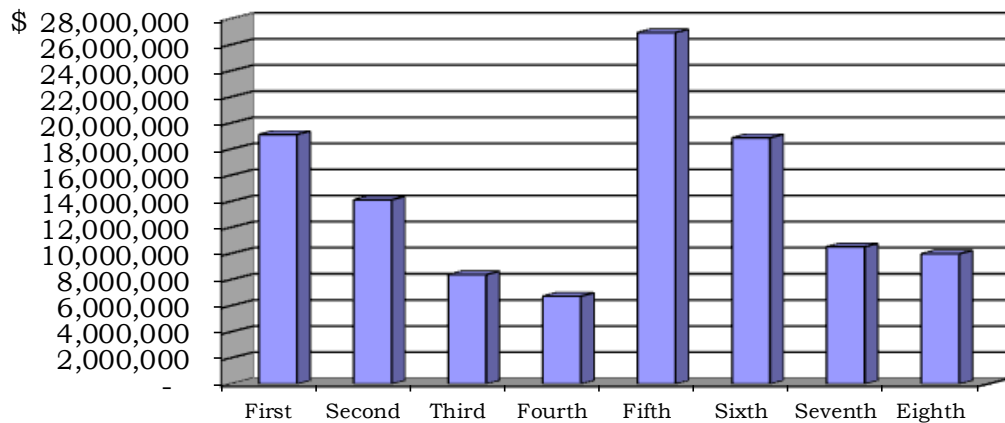
General Fund Expenditures by Judicial District Department
(Unaudited)

Year ended June 30, 2017

**Percentage of Total General Fund Expenditures by
Judicial District Department**



**Total General Fund Expenditures by
Judicial District Department**



Report of Recommendations to the
First Judicial District Department

June 30, 2017

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager
Robert Quinn Barrett, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Kelly L. Hilton, Senior Auditor
Jacob N. Bennett, Staff Auditor
Mitchell M. Kriby, Assistant Auditor

Report of Recommendations to the
Second Judicial District Department

June 30, 2017

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

- (1) Bank Reconciliations – An effective internal control system provides for internal controls related to reconciling monthly bank statements to the book balance to ensure accuracy of the book balance. Bank reconciliations were not performed monthly for the client assistance accounts and review of the bank reconciliations was not performed or was not performed timely.

Recommendation – To improve financial accountability and control, the reconciliation of the book and bank balances should be prepared for all accounts and reviewed by an independent person. The review should be documented by signing or initialing and dating the reconciliations.

Response – The District Department will perform and complete reconciliation processes for all bank and investment accounts for all months. Temporary work assignments were put in place for additional Department staff to assist in bringing account reconciliations up-to-date. A review of the duties of the Department's accounting staff will be conducted and new work assignments regarding account reconciliations will be implemented, if applicable. Department policies regarding bank account reconciliations will be updated, if applicable, to ensure reconciliations are completed timely by an independent person and reviewed by a separate individual. Those policies will be reviewed and acknowledged by all Department accounting staff. Reconciliations will be prepared and reviewed by independent members of the Department's accounting staff going forward and any variances between bank and book balances will be resolved accordingly. A master matrix will be created to indicate timely completion of account reconciliations and will be reviewed monthly by a District Department management staff member.

Conclusion – Response accepted.

- (2) Receipt Review – A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. For fourteen of twenty-five receipts tested the individual who signed as receiving the cash and initiating the cash receipt transaction also signed as the reviewer.

Recommendation – Someone independent of receiving and initiating cash receipts should review and initial the cash receipt.

Report of Recommendations to the
Second Judicial District Department

June 30, 2017

Response – The District Department will implement procedures so independent members of the Department’s accounting and other staff receive and initiate cash receipts, and review and initial those receipts. The Department’s accounting staff will review current work duties and procedures regarding receiving/initiating cash receipts and reviewing completed receipts and will update workflows to ensure an adequate segregation of duties so receipts are processed in a manner that allows for dual-control of accounting procedures. District Department policies will be updated to reflect these procedural changes and will be reviewed and acknowledged by all District Department accounting staff and other staff, as applicable.

Conclusion – Response accepted.

- (3) Initial Listing – An initial listing of checks received in the mail was not prepared and reviewed by an independent person.

Recommendation – A listing of checks received in the mail should be prepared by a person other than accounting personnel. The listing should be compared to the receipt records by an independent person.

Response – The District Department will create and implement a new fiscal policy with procedures to require all mail opener staff to prepare an initial listing of receipts and to require a review of the receipts listing regularly by an independent staff member. The District Department’s offender fee payments fiscal policy will also be updated to include a process for preparing a listing of receipts by mail opener staff, and a review of the listing by an independent staff member. The new fiscal policy will be reviewed and acknowledged by applicable District Department staff and training regarding these new procedures will be conducted.

Conclusion – Response accepted.

- (4) Adjusting Journal Entries – Adjusting journal entries should be prepared and reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review. Two of five adjusting journal entries tested were not properly reviewed by an independent person.

Recommendation – To improve financial accountability and control, the adjusting journal entries should be reviewed by an independent person and documented by the signature or initials of the reviewer and the date of the review.

Response – The District Department will complete adjusting journal entries per District Department fiscal policy, which states all entries will be reviewed by an independent staff member who will document the review by signing and dating their review on the adjusting journal entry form. In addition, at the time of preparation of the GAAP package, a master report will be generated from the general ledger of all adjusting journal entries completed during the fiscal year and a crosscheck of that report will be made against each individual adjusting journal entry form to ensure all documents are accurate and complete.

Conclusion – Response accepted.

Report of Recommendations to the
Second Judicial District Department

June 30, 2017

- (5) Financial Reporting – Activity for the District Department is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year. Due to an error in a spreadsheet summary, accounts receivable for client rent was overstated \$388,601.

Recommendation – The District Department should establish procedures to ensure all accounts receivable are properly reported in the District Department’s GAAP package.

Response – The District Department will complete the GAAP package accurately and timely. As designated staff complete each section of the GAAP package, an independent person will review that section so that any errors or misstatements may be detected and corrected timely. This independent review will be documented as part of the GAAP package.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

Timely Deposit – Chapter 12.10 of the Code of Iowa requires 90% of monies received be deposited within ten days of collection. Two of five receipts tested were not deposited within ten days, as required.

Recommendation – The District Department should ensure 90% of all receipts are deposited within ten business days in accordance with Chapter 12.10 of the Code of Iowa.

Response – The District Department will review and update the Department’s Offender Fee Payments fiscal policy procedures to ensure that all receipts are deposited timely, within ten days of receipt. All District Department staff will be required to review and acknowledge the updated policy. Individual review and training will be provided to all District Department clerical staff. Probation/Parole Office deposit schedules will be reviewed and changes in those schedules may be made to better ensure timely deposits of field receipts.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Jenna M. Paysen, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Ian N. Judson, Staff Auditor
Malika Moutiq, Staff Auditor
Taran E. McCusker, Assistant Auditor

Report of Recommendations to the
Third Judicial District Department

June 30, 2017

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Finding Related to Internal Control:

Financial Reporting – Activity for the District Department is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) in a GAAP package. The GAAP package is to be submitted to DAS-SAE by the first week of September each year. The amount reported in the GAAP package for allowance for uncollectible receipts was overstated by \$83,290 causing the accounts receivable balance to be understated.

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

Response – The District Department will ensure the GAAP package information reported is complete and accurate.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Taylor I. Cook, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Andrew J. Salwolke, Assistant Auditor

Report of Recommendations to the
Fourth Judicial District Department

June 30, 2017

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Katherine L. Rupp, CPA, Manager
Preston R. Grygiel, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Christopher M. Anderson, Staff Auditor

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2017

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Jennifer L. Wall, CPA, Manager
Taylor I. Cook, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Christopher M. Anderson, Staff Auditor
Elizabeth P. Dawson, Staff Auditor
Alexia M. Blank, Assistant Auditor
Molly N. Kalkwarf, Assistant Auditor
Erin K. Howland, Assistant Auditor

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2017

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Manager
Jesse J. Harthan, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Sidot K. Shipley, Staff Auditor
Rachel E. Sigmon, CPA, Assistant Auditor

Report of Recommendations to the
Seventh Judicial District Department

June 30, 2017

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

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

Other individuals who participated in the audit include:

Molly N. Kalkwarf, Assistant Auditor

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2017

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Katherine L. Rupp, CPA, Manager
Jason J. Miller, Assistant Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Michaela M. Goergen, Assistant Auditor