



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

October 20, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released a combined report on the eight Judicial District Departments of Correctional Services for the year ended June 30, 2019.

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.

FINANCIAL HIGHLIGHTS

Total revenues ranged from \$6,821,394 at the Fourth Judicial District Department to \$26,891,339 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,491,873 at the Fourth Judicial District Department to \$27,088,536 at the Fifth Judicial District Department.

AUDIT FINDINGS

Sand reported four findings related to the receipt and disbursements of taxpayer funds at the eight Judicial Districts. They are found on pages 10 through 18 of this report. The findings address such issues as lack of an initial mail receipts listing, lack of policy governing the use of gift cards, proper monitoring of financial condition and the public purpose of certain disbursements. Sand provided the Districts with recommendations to address each of these findings.

Two of the findings discussed above and pertaining to the Second Judicial District are repeated from the prior year. Management of each District has a fiduciary responsibility to provide oversight of their respective District's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

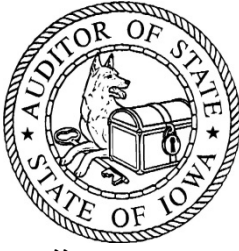
Copies of the report are available for review in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

JUNE 30, 2019

Judicial District Departments



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

October 16, 2020

Iowa Department of Corrections
Des Moines, Iowa

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

I am pleased to submit to you the combined Report of Recommendations on the Judicial Districts under the control of the Iowa Department of Correctional Services for the year ended June 30, 2019. This report includes findings, if any, pertaining to each District's internal control and compliance with statutory requirements and other matters which resulted from the fiscal year 2019 audits. This report also includes unaudited revenue, expenditure and fund balance information pertaining to each of the Judicial District Departments.

I appreciate the cooperation and courtesy extended by the officials and employees of the eight individual Judicial District Departments of Correctional Services throughout the audits. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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October 16, 2020

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, 2019.

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 and compliance with statutory requirements 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, 2019.

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, 12, 13, 14, 15, 16, 17, and 18, and they are available to discuss these matters with you.

Marlys K. Gaston, CPA
Deputy Auditor of State

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

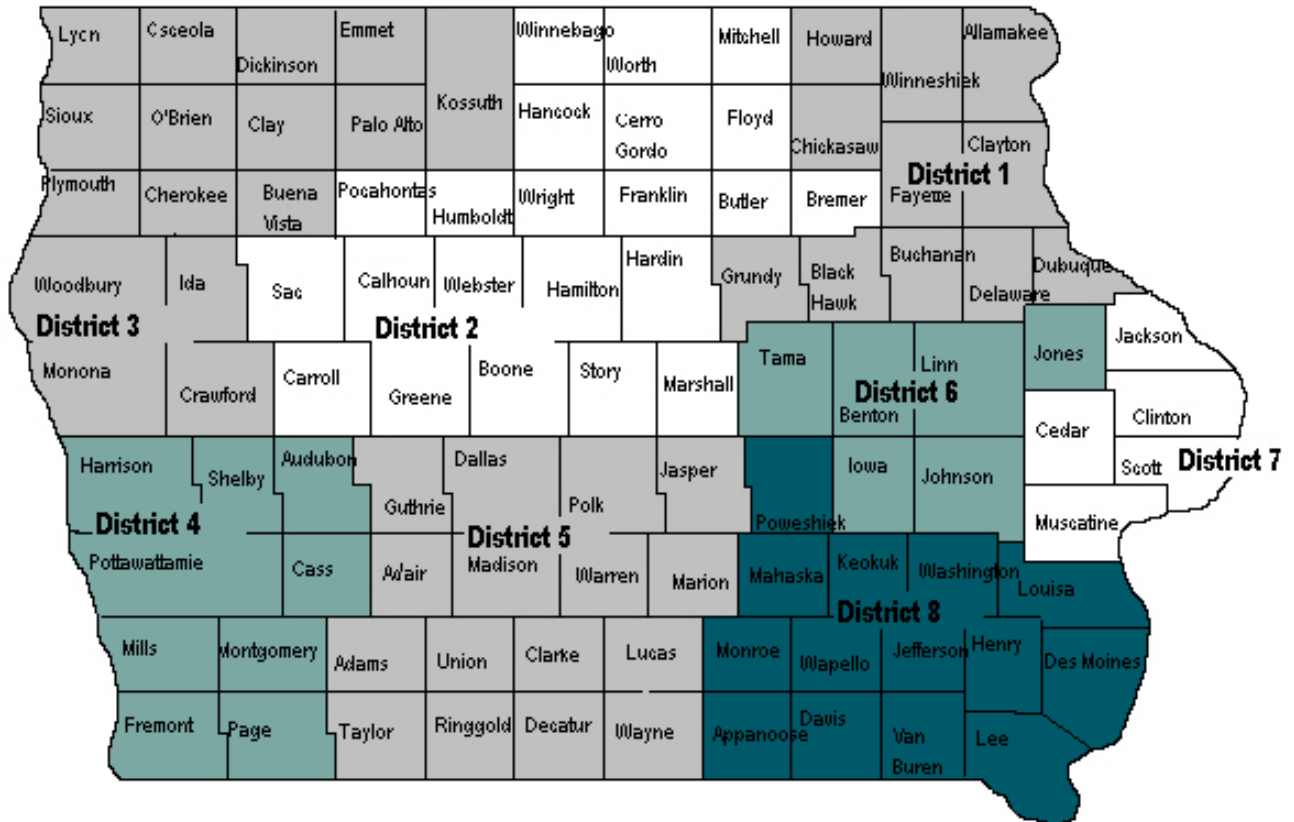
Eight Judicial District Departments of Correctional Services

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 \$6,821,394 at the Fourth Judicial District Department to \$26,891,339 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,491,873 at the Fourth Judicial District Department to \$27,088,536 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, 2019

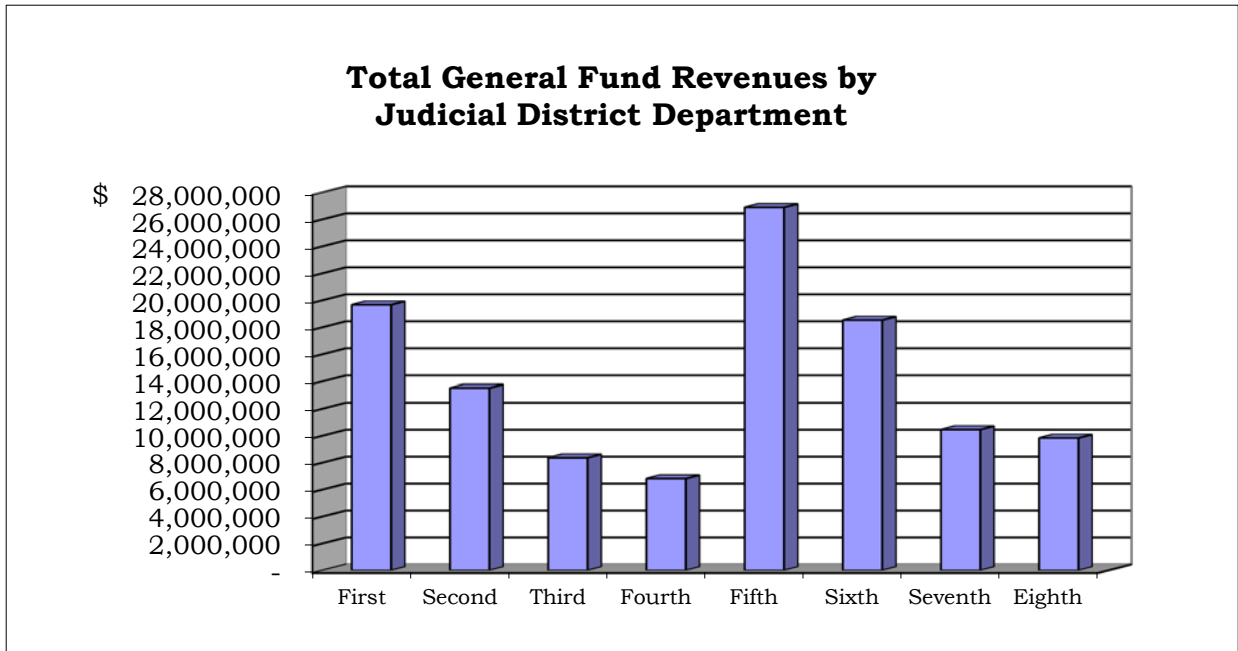
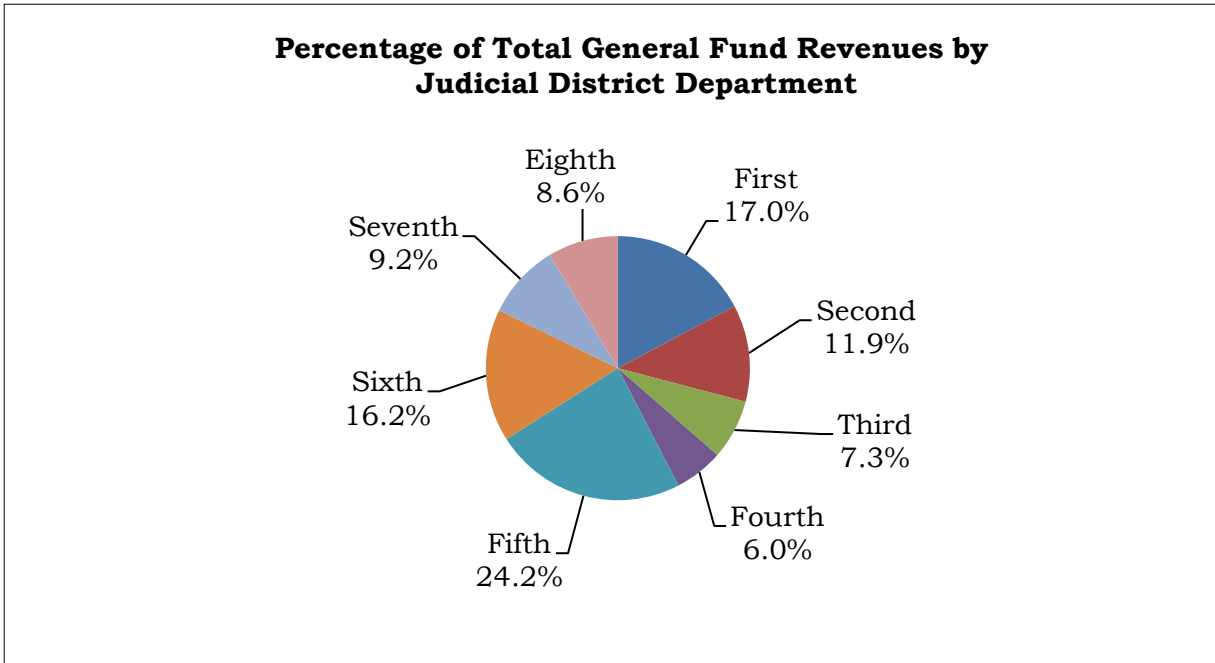
	Judicial			
	First	Second	Third	Fourth
Revenues:				
Net state appropriation allocation	\$ 14,944,266	11,547,739	7,247,957	5,740,922
Federal, state and local grants and contracts	697,261	-	-	3,057
Interest on investments	10,783	26,651	9,548	220
Fees, refunds and reimbursements	4,017,500	1,878,268	1,106,447	1,033,954
Rents and miscellaneous	-	75,276	-	43,241
Total revenues	<u>19,669,810</u>	<u>13,527,934</u>	<u>8,363,952</u>	<u>6,821,394</u>
Expenditures:				
Personal services	17,287,324	11,876,046	7,144,771	5,659,383
Travel and subsistence	71,770	74,227	48,183	44,452
Supplies	624,232	366,612	185,662	323,834
Contractual services	1,091,197	777,269	566,157	273,087
Equipment and repairs	170,771	286,508	108,857	172,256
Claims and miscellaneous	56,937	-	16,359	18,861
Plant improvements	-	1,867	-	-
Total expenditures	<u>19,302,231</u>	<u>13,382,529</u>	<u>8,069,989</u>	<u>6,491,873</u>
Excess (deficiency) of revenues over (under) expenditures	367,579	145,405	293,963	329,521
Fund balance beginning of the year	<u>728,002</u>	<u>333,468</u>	<u>745,405</u>	<u>493,394</u>
Fund balance end of the year	<u>\$ 1,095,581</u>	<u>478,873</u>	<u>1,039,368</u>	<u>822,915</u>

District Department				
Fifth	Sixth	Seventh	Eighth	Total
21,846,060	14,839,165	7,849,341	8,164,521	92,179,971
363,528	364,079	129,875	213,170	1,770,970
22,011	15,122	3,930	15,409	103,674
4,610,976	3,184,721	2,439,617	1,425,501	19,696,984
48,764	130,898	33,432	15,736	347,347
26,891,339	18,533,985	10,456,195	9,834,337	114,098,946
22,531,794	16,186,281	9,008,181	8,569,762	98,263,542
202,354	100,111	41,321	54,448	636,866
531,246	620,283	451,489	272,832	3,376,190
2,707,015	1,082,783	698,510	696,447	7,892,465
1,056,848	358,388	51,290	72,257	2,277,175
59,279	161,325	87,554	96,839	497,154
-	-	-	-	1,867
27,088,536	18,509,171	10,338,345	9,762,585	112,945,259
(197,197)	24,814	117,850	71,752	1,153,687
1,516,527	619,343	272,726	313,603	5,022,468
1,319,330	644,157	390,576	385,355	6,176,155

Judicial District Departments

General Fund Revenues by Judicial District Department
(Unaudited)

Year ended June 30, 2019

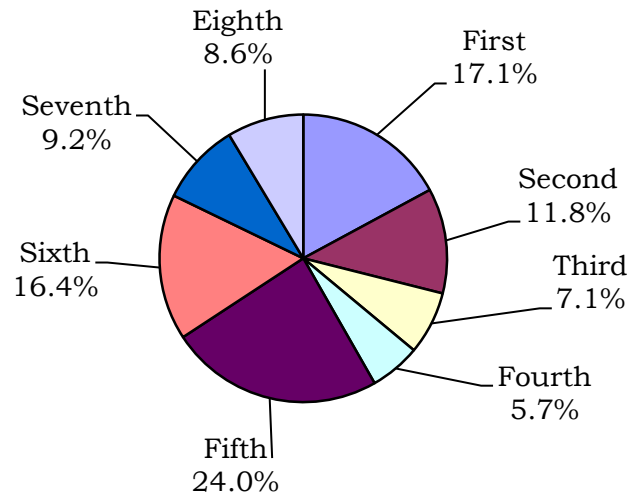


Judicial District Departments

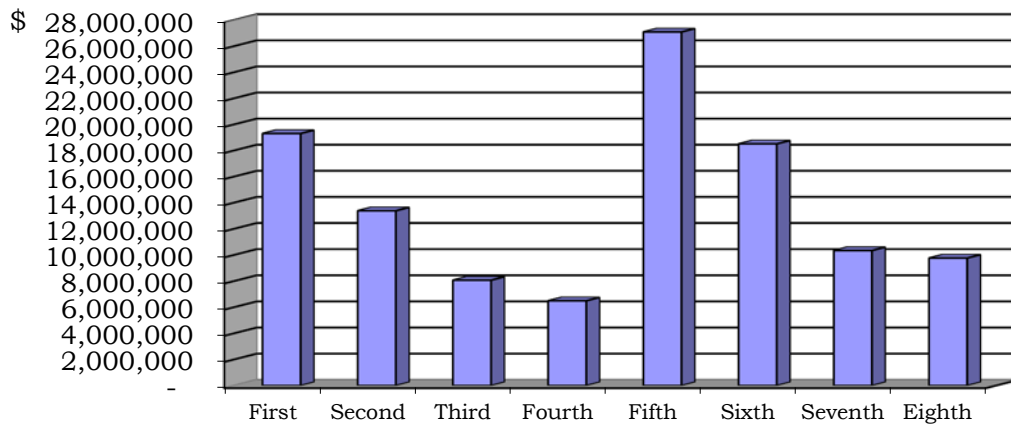
General Fund Expenditures by Judicial District Department
(Unaudited)

Year ended June 30, 2019

**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, 2019

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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:

Marlys K. Gaston, CPA, Deputy
Michelle B. Meyer, CPA, Manager
Erin J. Sietstra, Senior Auditor

Report of Recommendations to the
Second Judicial District Department

June 30, 2019

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

Other Finding Related to Internal Control:

- (1) Initial Listing – An initial listing of checks received in the mail was not prepared and reviewed by an independent person for the period June 2018 through May 2019.

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 developed a mail log to use as an initial listing of mail receipts and implemented procedures at the end of FY2019 to track, record and audit mail receipts as they are received and processed by the Department. The Department continues to use this mail log and implemented procedures and going forward we will monitor this internal controls process to ensure accuracy and efficiency.

Conclusion – Response acknowledged. The District should also ensure the initial listing of mail receipts, and the subsequent tracing of those receipts to the receipt records, is done by someone independent of the accounting department.

- (2) Gift Cards – 2nd Judicial District purchases and issues gift cards as a way to incentivize clients. While the District maintains a listing of all gift cards to be used for this purpose, there is no approved written policy stating how or what a gift card will be purchased and issued for. This creates a possibility of gift cards being used for unallowable or unintended purposes.

Recommendation – The District should develop a written policy for how gift cards are to be used, and under what circumstances they should be issued.

Response – The Department will develop a written fiscal policy and applicable procedures stating the purpose of gift cards with regards to incentivizing clients, how gift cards are to be used, how a gift card will be purchased, tracked/inventoried and the circumstances under which a gift card will be issued and used for client incentives. This policy will be approved by the Department's Leadership Team and Board of Directors and will be reviewed and acknowledged by all Department staff at the time of implementation.

Conclusion – Response accepted.

Report of Recommendations to the
Second Judicial District Department

June 30, 2019

- (3) System Fund Balance – Although the District prepares bank reconciliations, the District does not retain supporting documentation from their system to tie the bank accounts to their fund balances. When asked to provide a copy of a balance sheet at the end of fiscal year 2019, the District was unable to provide a copy of the balance sheet due to their accounting system’s inability to run an historical report and a report was not prepared and retained at June 30, 2019. Therefore, the auditor is unable to determine if the District is adequately monitoring the financial condition of the entity.

Recommendation – The District should prepare and retain reports necessary for proper monitoring of the District’s financial condition and which comply with Judicial Department retention policies.

Response – The Department will engage all pertinent resources, both internal and external, to ensure that our accounting system has all capabilities to produce all reports necessary for proper monitoring of the District’s financial activities and position. The Department will then generate all necessary reports and properly maintain those reports for the District’s record retention purposes. The Department will also review all current applicable fiscal policies regarding the balancing and reconciliation of fiscal financial records and reports, will make any necessary updates to those applicable policies, and will implement the required procedures as per those policies.

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:

Marlys K. Gaston, CPA, Deputy
Janet K. Mortvedt, CPA, Manager
Nicholas J. Rustin, Staff Auditor

Other individuals who participated in the audit include:

Brett S. Gillen, CPA, Senior Auditor

Report of Recommendations to the
Third Judicial District Department

June 30, 2019

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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:

Marlys K. Gaston, CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Brett S. Gillen, CPA, Senior Auditor

Report of Recommendations to the
Fourth Judicial District Department

June 30, 2019

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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:

Marlys K. Gaston, CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager
Alex N. Kawamura, CPA, Senior II Auditor

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2019

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

Other Finding Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Deputy
Jennifer L. Wall, CPA, Manager
Taylor I. Cook, Senior Auditor

Other individuals who participated in the audit include:

Jon G. Hanson, Staff Auditor

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2019

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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:

Marlys K. Gaston, CPA, Deputy
Gwen D. Fangman, CPA, Manager
Sidot K. Shipley, Senior Auditor

Report of Recommendations to the
Seventh Judicial District Department

June 30, 2019

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

Other Findings Related to Internal Control:

No matters were noted.

Finding Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Deputy
Donna F. Kruger, CPA, Manager
Taran E. McCusker, CPA, Staff Auditor

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2019

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

Other Finding Related to Internal Control:

No matters were noted.

Finding Related to Statutory Requirements and Other Matters:

Questionable Expenditures – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General's opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Skyline Entertainment	Entertainment for employee appreciation day	\$1,750

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Board should determine and document the public purpose served by these expenditures types of disbursements prior to before authorizing any further payments. If this practice is continued, the District should establish written policies and procedures, including the requirements for proper public purpose documentation.

Response – Our District will create a policy outlining our Annual Fall Employee Appreciation/Retention event. It will describe the purpose of the event and costs associated with it. This policy will be presented to our Board of Directors for approval.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Deputy
Katherine L. Rupp, CPA, Manager
Jason J. Miller, Staff Auditor
April R. Davenport, Staff Auditor

Other individuals who participated in the audit include:

Maria R. Collins, Staff Auditor
Ridge G. Nennig, Assistant Auditor