



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

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NEWS RELEASE

FOR RELEASE October 4, 2005

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a combined report on the institutions under the control of the Iowa Department of Human Services. The report includes findings and recommendations and average cost per resident/patient information for the five years ended June 30, 2004.

The average annualized cost per resident/patient at the nine institutions under the control of the Iowa Department of Human Services ranged from \$64,266 at the State Training School – Eldora to \$205,365 at the Mental Health Institute-Independence and \$305,128 at the Mental Health Institute - Cherokee for the year ended June 30, 2004. However, included in the average annualized cost per resident/patient for the Mental Health Institute - Cherokee are expenditures for a significant amount of outpatient services and support services for the Civil Commitment Unit for Sexual Offenders which could not be identified separately. While total general fund expenditures for the nine institutions have increased 18.6% during the five year period to almost \$167 million, the average number of residents/patients has decreased 6.4%, from 1,313 to 1,229, and the average daily cost per resident/patient increased 26.8%, from \$293.61 to \$372.14, over the same period.

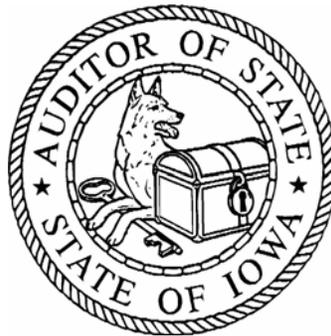
Copies of the report are available for review in the Office of Auditor of State.

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**COMBINED REPORT ON THE INSTITUTIONS UNDER THE
CONTROL OF THE IOWA DEPARTMENT OF HUMAN SERVICES
SCHEDULES
FINDINGS AND RECOMMENDATIONS**

JUNE 30, 2004

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State

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September 28, 2005

To the Council Members of the
Iowa Department of Human Services:

The Institutions under the control of the Iowa Department of Human Services are a 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, 2004.

In conducting our audits, we became aware of certain aspects concerning the various Institutions' 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 internal control, compliance with statutory requirements and other matters. These recommendations have been discussed with applicable Institution personnel and their responses to these recommendations are included in this report.

We have also included certain unaudited financial and other information for the Institutions under the control of the Iowa Department of Human Services for the five years ended June 30, 2004 to report an average cost per resident/patient at each Institution as required by Chapter 11.28 of the Code of Iowa.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Human Services, the Institutions under the control of the Iowa Department of Human Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Human 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 Institutions 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 Institutions are listed on pages 27, 28, 29, 30, 34, 36, 38, 39 and 40 and they are available to discuss these matters with you.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor
Michael L. Tramontina, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

Iowa Department of Human Services

Overview

Background

In accordance with Chapter 218 of the Code of Iowa, the Iowa Department of Human Services has the authority to control, manage, direct and operate the following institutions:

Mental Health Institute - Clarinda – The Institute has been serving the citizens of Southwest Iowa since 1888. The function of this Institute is to promote good mental health practices and to provide high level care for persons with mental illness.

Mental Health Institute - Mount Pleasant – The Institute was established on February 2, 1861. Major goals and objectives of the Institute are to be responsive to the community-oriented patient care needs of the population it serves, without duplicating services already provided in the community.

Mental Health Institute - Cherokee – The Institute was founded in 1902. The Institute is responsible for furnishing psychiatric services to citizens of Northwest Iowa counties to the extent such services are not provided by other sources.

Mental Health Institute - Independence – The Institute was established on May 1, 1873. The Institute is a fully accredited psychiatric care hospital and provides treatment for mentally ill adults, adolescents and children.

Woodward Resource Center – The Resource Center was established in 1917. The Center is a residential facility for the mentally retarded and provides treatment, training, instruction, care, habilitation and support of persons with retardation or other disabilities in the State.

Glenwood Resource Center – The Resource Center was established on September 1, 1876. The Center is a residential facility for the mentally retarded and provides treatment, training, instruction, care, habilitation and support of persons with retardation or other disabilities in the State.

State Juvenile Home - Toledo – The State Juvenile Home - Toledo was established on October 21, 1920. This Institution is a structured, non-secure co-ed facility serving juveniles under 17 who are residents of the State of Iowa in need of assistance. The residents are committed by the juvenile courts as dependent or neglected, or are committed voluntarily through application to the County Board of Supervisors and the Iowa Department of Human Services. The children become wards of the State to receive educational, medical, diagnostic treatment and limited employment programs to help them attain productive and satisfying citizenship in a free society.

State Training School - Eldora – The Training School was established in 1868. The Institution is a minimum security facility for boys between the ages of twelve and eighteen who have been adjudicated delinquent by the juvenile courts of the State of Iowa. Effective January 1, 1992, a diagnosis and evaluation center and other units were established to provide juvenile delinquents a program which focuses upon appropriate developmental skills, treatment, placement and rehabilitation.

Civil Commitment Unit for Sexual Offenders (CCUSO) – The Civil Commitment Unit for Sexual Offenders was established in 1999. The Unit provides treatment for sexually violent predators in a secure facility located in Cherokee, Iowa. The residents have completed their criminal sentences, have been identified as a high risk for a repeat offense and are committed through a civil action by order of the courts.

Overview

Scope and Methodology

We have calculated an average cost per resident/patient at each Institution for the five years ended June 30, 2004, based on their general fund expenditures. Certain reclassifications and changes have been made to these expenditures to provide comparable averages between Institutions. Therefore, expenditure amounts and cost per resident/patient averages may differ from those used for statewide financial statement purposes. These reclassifications and changes are as follows:

- (1) Operating transfers, primarily reimbursements to other state agencies for services, have been reclassified as expenditures for purposes of this report.
- (2) At the inception of a capital lease, total principal payments are recorded as expenditures and as other financing sources for statewide purposes. For purposes of this report, we have included only the current year principal and interest payments as expenditures.
- (3) Canteen operations have been excluded from general fund expenditures since the canteen is a self-supporting operation at each Institution.
- (4) Non-cash assistance, consisting of USDA commodities, has been excluded from general fund expenditures.

Median stay information was not calculated or presented in the accompanying average cost per resident/patient schedule for the resource centers or juvenile facilities since the median stay tends to be for a much longer period.

The average annualized cost per resident/patient is calculated using the average number of occupied resident beds. Since the median stay at the Mental Health Institutes tends to be less than the stay at the other Institutions, the cost per stay was calculated for each of the Mental Health Institutes. This represents the average cost for the median stay of each patient admitted.

Summary Observation

The Mental Health Institute – Cherokee provides significant outpatient services not performed by other Institutions and provides support services for the Civil Commitment Unit for Sexual Offenders. Adequate statistical data on outpatient services, including the amount and cost of services provided by year, as well as the amount of support services, was not readily available. Accordingly, the cost per resident/patient information at the Mental Health Institute - Cherokee is not comparable to other Institutions and may not be comparable between years at the Mental Health Institute - Cherokee.

The average annualized cost per resident/patient ranged from \$64,266 at the State Training School – Eldora to \$205,365 at the Mental Health Institute-Independence and \$305,128 at the Mental Health Institute – Cherokee for fiscal year 2004, and has generally increased overall over the past five years at each Institution.

During fiscal year 1999, the Civil Commitment Unit for Sexual Offenders was opened and housed residents at the Iowa Medical and Classification Center at Oakdale. During fiscal year 2003, the Civil Commitment Unit for Sexual Offenders was relocated to a secure facility located in Cherokee, Iowa. The number of residents increased from 1 on July 1, 1999 to 42 on June 30, 2004. As a result, the average cost per resident decreased significantly from fiscal year 2000 to fiscal year 2004.

While total general fund expenditures have increased 18.6%, from \$140,709,749 in 2000 to \$166,934,748 in 2004, the average number of residents/patients has decreased 6.4%, from 1,313 to 1,229, and the average daily cost per resident/patient has increased 26.8%, from \$293.61 to \$372.14, over the same period.

Median stay ranged from 11 days to 54 days at the four Mental Health Institutes for fiscal year 2004 and has generally remained constant or increased over the past five years at each Institution.

Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient by Institution
(Unaudited)

For the Last Five Fiscal Years

	Year ended June 30, 2000					
	Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	Cost per Stay
Mental Health Institute - Clarinda	67	132	\$ 110,121	301.70	9	\$ 2,715
Mental Health Institute - Mt. Pleasant	67	101	87,580	239.95	28	6,718
Mental Health Institute - Cherokee	68	244	198,851	544.80	11	5,993
Mental Health Institute - Independence	152	373	125,335	343.38	21	7,211
Woodward Resource Center	281	640	120,557	330.29		
Glenwood Resource Center	393	836	108,718	297.86		
State Juvenile Home - Toledo	102	134	65,148	178.49		
State Training School - Eldora	177	212	60,071	164.58		
Civil Commitment Unit for Sexual Offenders	6	15	168,442	461.48		
Total	1,313	2,687	\$ 107,167	293.61		

Year ended June 30, 2001						Year ended June 30, 2002					
Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	Cost per Stay	Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	Cost per Stay
70	128	\$ 109,786	300.78	8	\$ 2,406	63	111	\$ 124,399	340.82	10	\$ 3,408
74	105	82,960	227.29	28	6,364	69	98	90,440	247.78	28	6,938
70	240	199,971	547.87	12	6,574	64	237	222,897	610.68	13	7,939
152	381	130,560	357.70	24	8,585	130	351	145,731	399.26	37	14,773
279	650	131,584	360.50			282	628	133,628	366.10		
393	850	115,486	316.40			395	828	119,053	326.17		
98	134	70,060	191.95			101	128	68,306	187.14		
181	224	64,115	175.66			193	217	59,549	163.15		
14	22	78,976	216.37			25	31	58,190	159.42		
1,331	2,734	\$ 112,202	307.40			1,322	2,629	\$ 114,859	314.68		

Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient by Institution
(Unaudited)

For the Last Five Fiscal Years

	Year ended June 30, 2003					
	Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	Cost per Stay
Mental Health Institute - Clarinda	47	97	\$ 151,339	414.63	7	\$ 2,902
Mental Health Institute - Mt. Pleasant	52	87	110,369	302.38	29	8,769
Mental Health Institute - Cherokee	48	206	272,244	745.87	15	11,188
Mental Health Institute - Independence	94	307	191,686	525.17	40	21,007
Woodward Resource Center	281	622	139,616	382.51		
Glenwood Resource Center	391	803	126,359	346.19		
State Juvenile Home - Toledo	88	114	73,816	202.24		
State Training School - Eldora	192	200	58,294	159.71		
Civil Commitment Unit for Sexual Offenders	35	27	62,150	170.27		
Total	1,228	2,463	\$ 124,137	340.10		

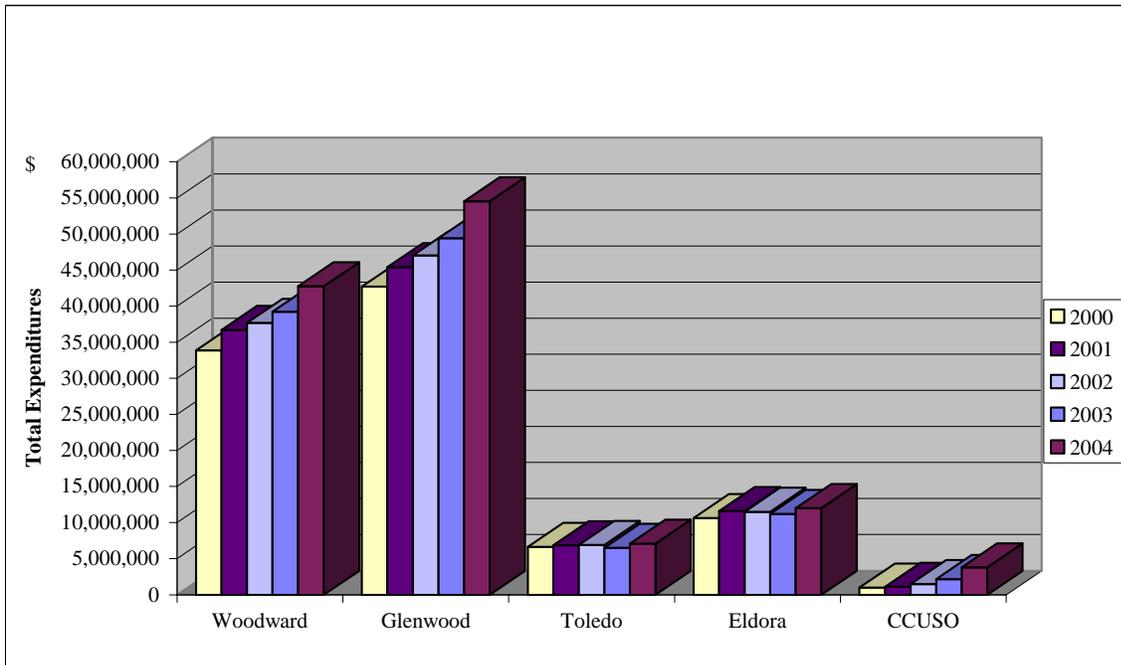
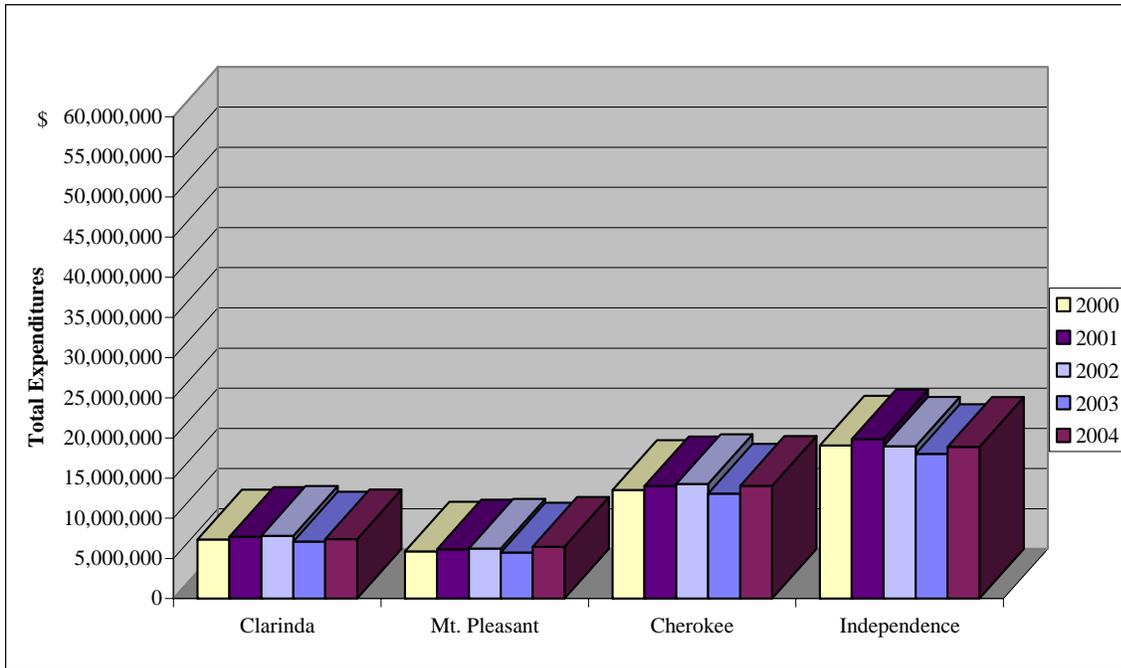
Year ended June 30, 2004					
Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	Cost per Stay
48	90	\$ 154,296	422.73	11	\$ 4,650
58	96	111,172	304.58	29	8,833
46	208	305,128	835.97	13	10,868
92	303	205,365	562.64	54	30,383
281	640	152,174	416.92		
390	845	139,749	382.87		
89	112	79,741	218.47		
187	195	64,266	176.07		
38	54	99,297	272.05		
1,229	2,543	\$ 135,830	372.14		

Iowa Department of Human Services

Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient Information By Institution
Total Expenditures
(Unaudited)

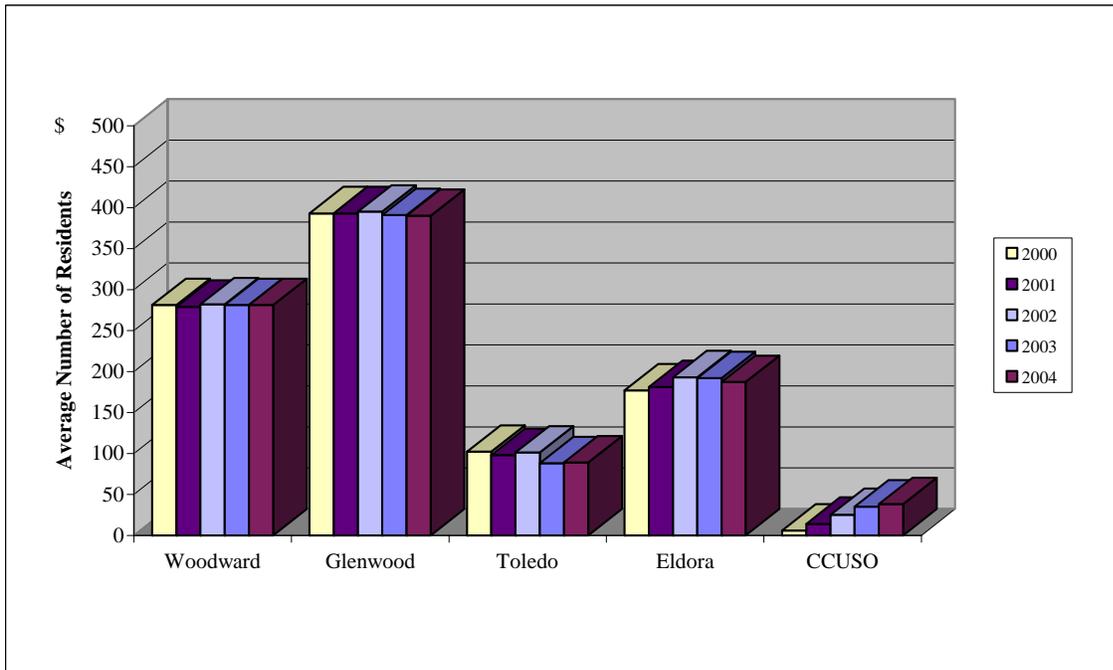
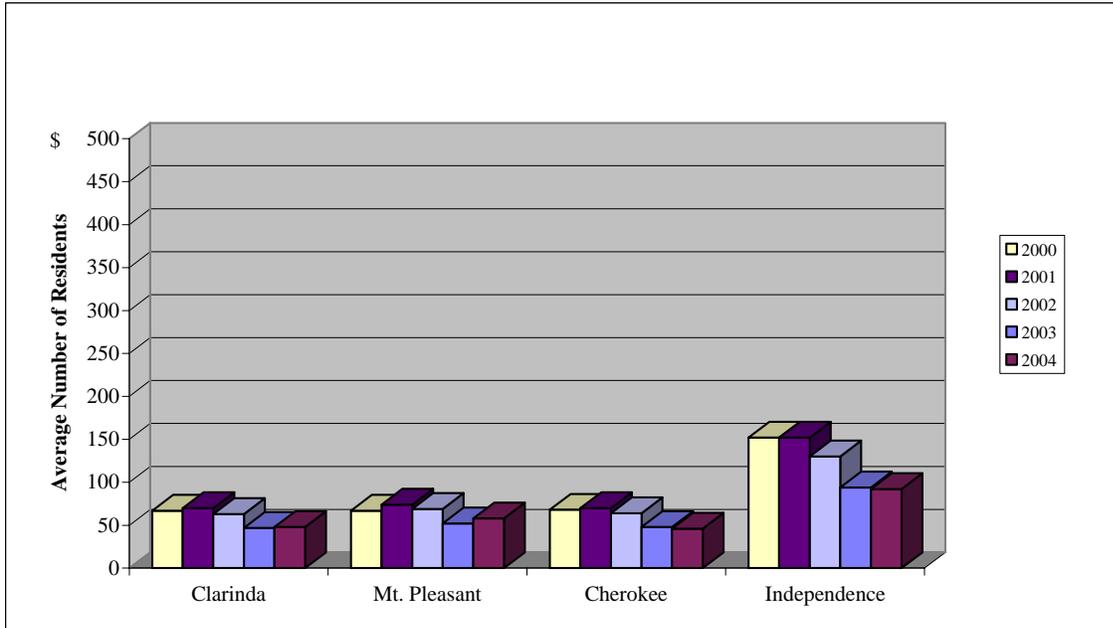
For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient Information By Institution
Average Number of Residents/Patients
(Unaudited)

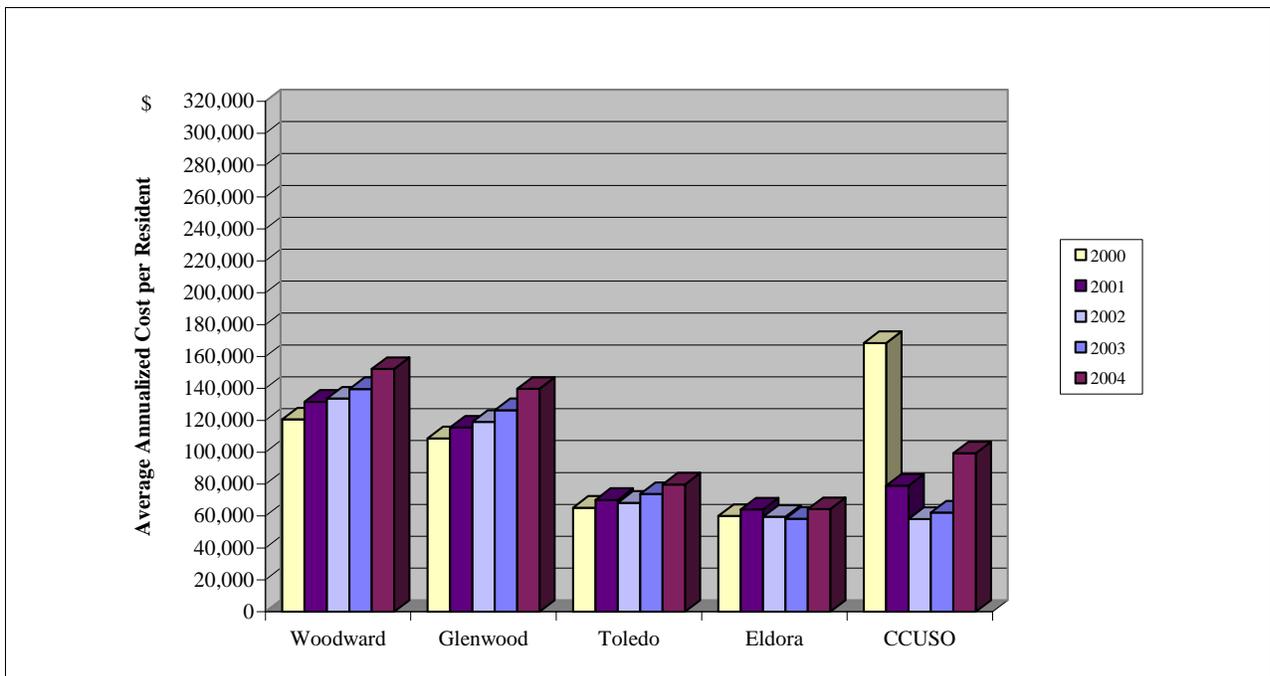
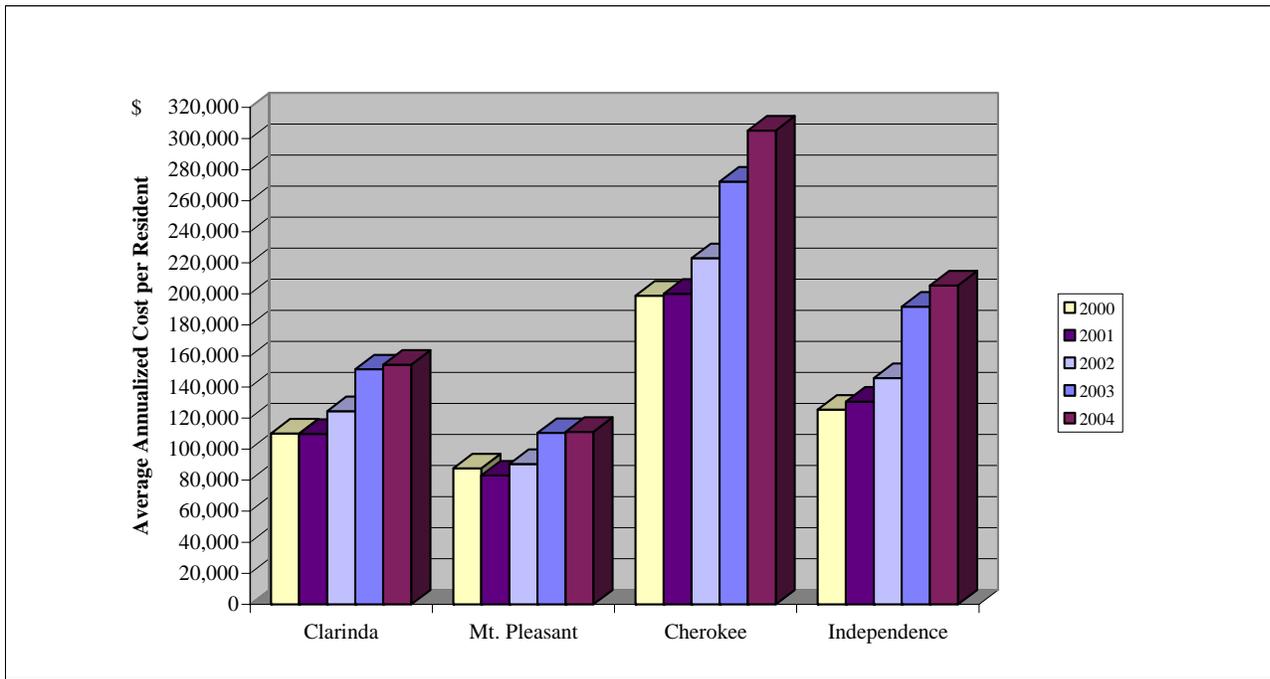
For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient Information By Institution
Average Annualized Cost per Resident/Patient
(Unaudited)

For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2000

	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,094,962	4,701,591	10,803,478	15,722,869
Travel	22,422	13,701	56,212	52,559
Supplies and materials	768,283	4,403	1,088,249	1,276,530
Contractual services	423,654	711,692	1,271,000	1,849,853
Capital outlay	68,411	434,252	300,033	142,988
Claims and miscellaneous	236	27	2,480	4,607
Licenses, permits, and refunds	154	-	415	1,539
Aid to individuals	-	2,210	-	-
Total	\$ 7,378,122	5,867,876	13,521,867	19,050,945

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
28,224,653	35,651,140	5,541,881	8,426,810	714,088	115,881,472
142,297	197,059	15,753	51,261	16,098	567,362
2,546,678	3,415,509	460,047	631,614	37,270	10,228,583
2,159,601	1,961,385	587,746	1,325,498	154,592	10,445,021
791,274	1,062,304	32,586	183,059	88,601	3,103,508
11,419	436,452	6,547	11,296	-	473,064
520	2,357	500	3,044	-	8,529
-	-	-	-	-	2,210
33,876,442	42,726,206	6,645,060	10,632,582	1,010,649	140,709,749

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2001

	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,358,975	5,261,564	11,417,471	16,524,528
Travel	24,591	27,202	9,265	45,938
Supplies and materials	783,528	42,410	987,927	1,153,080
Contractual services	473,866	635,766	1,459,257	2,037,687
Capital outlay	42,969	170,281	121,440	78,572
Claims and miscellaneous	594	31	2,424	5,261
Licenses, permits, and refunds	498	-	210	35
Aid to individuals	-	1,760	-	-
Total	\$ 7,685,021	6,139,014	13,997,994	19,845,101

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
30,327,862	37,032,872	5,673,528	9,343,255	838,078	122,778,133
189,393	113,354	13,523	35,779	8,967	468,012
2,457,556	3,434,192	430,983	578,627	13,067	9,881,370
2,915,547	3,780,604	698,397	1,558,563	233,067	13,792,754
805,564	1,056,339	42,319	72,960	12,266	2,402,710
15,266	(32,568)	7,006	12,047	214	10,275
670	1,095	144	3,626	-	6,278
-	-	-	-	-	1,760
36,711,858	45,385,888	6,865,900	11,604,857	1,105,659	149,341,292

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2002

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,481,605	5,320,773	11,750,576	16,099,397
Travel	16,268	9,231	40,213	28,325
Supplies and materials	619,290	197,433	968,913	919,593
Contractual services	679,885	659,133	1,379,517	1,828,172
Capital outlay	38,864	52,400	121,992	68,815
Claims and miscellaneous	1,078	111	4,068	719
Licenses, permits, and refunds	160	-	155	10
Aid to individuals	-	1,251	-	-
Total	\$ 7,837,150	6,240,332	14,265,434	18,945,031

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
31,277,469	38,343,563	5,909,377	9,649,296	992,739	125,824,795
196,570	210,130	11,347	35,865	7,221	555,170
2,510,985	3,694,396	436,441	519,772	9,824	9,876,647
3,156,897	3,810,171	521,021	1,213,083	440,375	13,688,254
471,350	524,231	13,763	58,888	4,589	1,354,892
12,226	442,399	6,719	12,583	-	479,903
300	980	257	3,393	-	5,255
57,259	-	-	-	-	58,510
37,683,056	47,025,870	6,898,925	11,492,880	1,454,748	151,843,426

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2003

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 5,978,245	4,969,954	11,048,774	15,593,703
Travel	18,709	24,533	51,947	32,351
Supplies and materials	534,994	110,191	686,587	671,016
Contractual services	560,529	539,704	1,222,325	1,679,502
Capital outlay	19,959	94,066	57,065	38,930
Claims and miscellaneous	347	7	870	1,158
Licenses, permits, and refunds	160	-	140	1,807
Aid to individuals	-	758	-	-
Total	\$ 7,112,943	5,739,213	13,067,708	18,018,467

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
32,954,167	40,225,392	5,617,914	9,480,977	1,381,651	127,250,777
182,884	188,216	13,323	39,998	76,200	628,161
2,602,096	3,944,846	373,872	517,230	44,672	9,485,504
2,854,374	3,962,768	474,866	1,033,238	577,655	12,904,961
627,080	617,442	8,208	113,292	95,063	1,671,105
11,294	466,818	7,204	4,482	9	492,189
61	810	457	3,195	-	6,630
-	-	-	-	-	758
39,231,956	49,406,292	6,495,844	11,192,412	2,175,250	152,440,085

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2004

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,140,043	5,735,738	11,596,617	16,214,811
Travel	19,912	25,799	51,573	39,856
Supplies and materials	636,866	145,028	999,114	777,033
Contractual services	574,524	461,037	1,257,917	1,710,497
Capital outlay	34,516	79,473	122,007	149,630
Claims and miscellaneous	210	9	8,541	763
Licenses, permits, and refunds	160	-	140	1,031
Aid to individuals	-	882	-	-
Total	\$ 7,406,231	6,447,966	14,035,909	18,893,621

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
36,094,606	44,670,233	5,857,962	9,869,870	2,810,052	138,989,932
214,021	240,377	11,339	41,361	119,354	763,592
2,758,036	4,120,466	408,096	496,539	144,203	10,485,381
3,406,581	4,334,814	792,184	1,396,725	574,220	14,508,499
273,453	642,728	19,474	206,713	118,835	1,646,829
14,305	491,735	7,567	2,949	6,616	532,695
17	1,725	304	3,561	-	6,938
-	-	-	-	-	882
42,761,019	54,502,078	7,096,926	12,017,718	3,773,280	166,934,748

Institutions Under the Control of the Iowa Department of Human Services

Resident/Patient Population Statistics
(Unaudited)

Year ended June 30, 2004

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee
Population beginning of year	54	61	46
Admissions:			
First admissions	159	454	339
Readmissions	105	149	308
Returns:			
Home visits	-	-	-
Limited leaves	-	19	-
Temporary medical transfers	-	-	-
Unauthorized departures	-	1	-
Total admissions	264	623	647
Released:			
Discharges	267	593	650
Deaths	-	-	-
Home visits	-	-	-
Limited leaves	-	-	-
Temporary medical transfers	-	30	-
Unauthorized departures	-	-	-
Other	-	-	-
Total released	267	623	650
Population end of year	51	61	43
Average number of residents/patients	48	58	46

Mental Health Institute - Independence	Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment for Sexual Offenders
89	281	384	86	187	35
234	12	29	135	349	9
126	6	10	-	33	1
411	-	399	-	-	-
189	63	7	-	-	2
21	-	240	-	-	-
3	-	10	-	-	-
984	81	695	135	382	12
244	15	24	127	179	4
-	8	8	-	-	-
413	-	400	-	-	-
306	74	9	-	-	-
24	-	244	-	-	-
4	-	-	-	-	-
-	-	-	-	223	1
991	97	685	127	402	5
82	265	394	94	167	42
92	281	390	89	187	38

June 30, 2004

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

Initial Receipt Listing – The Institution did not maintain an initial listing of checks and cash received through the mail.

Recommendation – All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received on at least a periodic basis. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.

Response – We resumed listing the checks, June 28, 2004, when the auditors mentioned it on their first visit for the fiscal year 2004 audit. Our process again includes comparing that listing with the cash receipt records.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

Imaged Checks – Chapter 554D.114 of the Code of Iowa allows the Institution to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Institution receives cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The Institution should obtain and retain an image of both the front and back of each cancelled check as required.

Response – Both banks we have accounts with have been notified that from now on, we will require images of both sides of the cancelled checks. Both banks have acknowledged by a letter that they will begin doing this.

Conclusion – Response accepted.

Findings and Recommendations for Mental Health Institute - Clarinda

June 30, 2004

Staff:

Questions or requests for further assistance should be directed to:

K. David Voy, CPA, Manager
Heather L. Templeton, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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Jessica L. Christensen, Assistant Auditor
Michael J. Gentry, Assistant Auditor
Jeff L. Lenhart, Assistant Auditor
Brandon J. Yuska, Assistant Auditor

June 30, 2004

Findings Reported in the State’s Single Audit Report:

No matters were noted.

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:

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Heather L. Templeton, Staff Auditor
Daniel L. Grady, Assistant Auditor
Carmon K. Kutcher, Assistant Auditor
Bobbie J. Zediker, Assistant Auditor

June 30, 2004

Findings Reported in the State's Single Audit Report:

No matters were noted.

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:

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Natalie J. Storm, CPA, Staff Auditor
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Jeff L. Lenhart, Assistant Auditor

June 30, 2004

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

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Carmon K. Kutcher, Assistant Auditor

June 30, 2004

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (1) Supply Inventories – Segregation of Duties – Independent physical inventory counts should be performed at each department of the Woodward Resource Center. All inventory activity should be stopped during the physical inventory count. Also, duties should be segregated in each department.

One of eight departments selected for inventory testing had not completed a physical inventory count at June 30, 2004, and six of eight departments selected for inventory testing had not completed independent inventory counts at June 30, 2004. One of eight departments did not stop inventory activity during the physical inventory count. In addition, all eight of the departments did not adequately segregate duties for inventories within their departments.

Recommendation – Woodward Resource Center should implement policies and procedures to ensure inventory activity is stopped and an independent year end physical inventory count takes place at each department carrying a supply inventory balance. Procedures should also be implemented to ensure duties are properly segregated in each of these departments.

Response – Due to limited staffing in these departments, it has been difficult to conduct an independent inventory count and to completely segregate the duties within each department. Woodward Resource Center does have procedures in place in each of these departments that assure inventory control. Woodward Resource Center continues to be committed to accomplishing these audits. If resources permit, seasonal help will be hired to assist the limited staff

Conclusion – Response accepted.

- (2) Expenditures - Segregation of Duties – Expenditures are initiated and approved on-line using the I-3 system. Certain employees have the ability to initiate a transaction and apply level 1 approval. The same employees also have the ability to apply the pre-audit approval required prior to submitting the claim to the Department of Administrative Services – State Accounting Enterprise for payment.

Recommendation – Woodward Resource Center should review the approval levels for its employees. Policies and procedures should be developed and implemented to ensure duties are properly segregated within each department.

Response – We do have several staff than can authorize more than one level of approval at this time. Internally, we have established a process that ensures no staff applies more than one approval level on a document. Woodward Resource Center will review our approval levels on all documents required in the I-3 system and make changes as appropriate.

Conclusion – Response accepted.

Findings and Recommendations for Woodward Resource Center

June 30, 2004

- (3) Payroll - Segregation of Duties – Certain employees have the ability to provide both the Personnel Assistant and the department level approvals on P-I documents in the HRIS system.

Recommendation – Woodward Resource Center should develop and implement policies to require review of P-I documents by an individual independent of approval on the HRIS system.

Response – For documents that required more than one level of approval at the facility, Woodward Resource Center Human Resource (HR) staff will initiate a process to assure there is segregation of duties. The HR Associate will do one level of approval and the HR Administrative Assistant 2 will do the other level on the documents.

Conclusion – Response accepted.

- (4) Capital Assets – The Woodward Resource Center is required to keep an up-to-date and accurate capital asset listing to track and maintain control over its capital assets. Per the State of Iowa capital asset policy, the capital asset threshold for buildings and building improvements is \$50,000. All capital assets at or above this threshold must be reported and all other capital assets are to be excluded.

Woodward Resource Center has included four buildings with original costs of less than \$50,000 in its GAAP Package. Accumulated depreciation for three of the buildings was also included in the GAAP Package.

Recommendation – Woodward Resource Center should review the State of Iowa capital asset policy to ensure all capital assets included in the GAAP Package are proper. Policies and procedures should also be implemented to ensure all buildings with an original cost of less than \$50,000 and their accumulated depreciation are removed from the GAAP Package.

Response – Woodward Resource Center concurs with this recommendation and will comply.

Conclusion – Response accepted.

- (5) Resident Accounts – Woodward Resource Center records the activity of individual resident accounts on the Department of Human Services (DHS) client banking system. The client banking system is reconciled monthly with the detail resident accounting listing and the master control (check register balance). However, throughout fiscal year 2004, a variance existed between the client banking system, the detail resident account listing and the master control. The amount of the variance varied from month to month.

Recommendation – The Woodward Resource Center should implement policies and procedures to reconcile individual resident account balances with the control account on the client banking system. To aid in the reconciliation process, Woodward Resource Center should review client income and disbursements in order to ensure amounts are credited to the correct client and should verify the individual checks and deposits per the bank statements agree to the individual resident account balances. Also, the client banking system should be reconciled with the master control (check register balance).

Findings and Recommendations for Woodward Resource Center

June 30, 2004

Response – For fiscal year 2004, the total of the posting items from the paper documents used to enter the postings balance to the printout that shows the individual accounts and the total withdrawals and total deposits. It also balances to the Master Control totals. Therefore, Woodward Resource Center believes the monthly activity is accurate for fiscal year 2004 and that the variance seems to have existed prior to fiscal year 2004 and continues to carry forward. We continue to investigate the variance for resolution.

Conclusion – Response accepted.

- (6) Procurement Cards – Woodward Resource Center uses procurement cards to purchase items for its various departments. The cards were issued through the State of Iowa Procurement Card Program with Commerce Bank. The State of Iowa Procurement Procedures Manual lists various items as being allowable or unallowable purchases. These guidelines should be followed for all purchases. Cardholders should obtain acceptable receipts for all purchases. As outlined in the State of Iowa Procurement Card Procedures Manual, an acceptable receipt must include the vendor name, amount of purchase, date and an itemized description of items purchased. All purchases should be coded to the proper object and organization codes in order to track types of purchases, determine the public purpose and determine allowability. Finally, segregation of duties should be maintained in order to provide for proper internal controls.

During testing, we noted the following items which were not in accordance with the State of Iowa Procurement Card Program:

- 1) The single transaction limit and the cycle limit appear to be excessive given the type of items being purchased with the card.
- 2) One transaction for which the register tape did not include an itemized listing of purchases, nor did it provide a proper description of the items purchased.
- 3) Two transactions were noted where the object code and/or organization code were improper.
- 4) One transaction was unallowable per the State of Iowa Procurement Card Procedures Manual.
- 5) One instance was noted where the coordinator is a cardholder. This individual also reviews, approves and records the related expenditures.
- 6) Cardholders can apply approval for the “cardholder review” box and the “supervisor review” box.

Recommendation – The Woodward Resource Center should implement policies and procedures to ensure all purchases are allowable per the State of Iowa Procurement Procedures Manual, acceptable receipts are obtained for all items purchased and all purchases are coded to the proper object and organization codes. Procedures should also be implemented to ensure duties are properly segregated within the purchasing department.

Findings and Recommendations for Woodward Resource Center

June 30, 2004

Response – Woodward Resource Center concurs with this recommendation taking the actions listed by each item to comply.

- 1) Limits will be reviewed and adjusted accordingly.
- 2) Woodward Resource Center will review receipts to ensure there is a listing of items purchased.
- 3) Continue our efforts for proper coding on all transactions.
- 4) Continue our efforts to ensure all transactions are allowable.
- 5 & 6) All payments are processed through the authorized levels of approval through the I-3 system.

The I-3 approval process along with Woodward Resource Center's internal approval requirements should accomplish proper segregation of duties.

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, Manager
Julie J. Lyon, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Stephanie A. Bernard, Staff Auditor
Daniel L. Durbin, CPA, Staff Auditor
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Elvir Alicic, Assistant Auditor
Jessica L. Christensen, Assistant Auditor
Bobbie J. Zediker, Assistant Auditor
Lisa M. Johnson, Auditor Intern

June 30, 2004

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

Inventory – Inventory balances are reported on the June 30, 2004 GAAP Package. Glenwood Resource Center is to maintain accurate records for reporting this inventory balance. Inventory observations at June 30 are performed to test items.

The Storeroom, Maintenance and Clothing inventory listings were not current when the test counts were performed.

Recommendation – Glenwood Resource Center should maintain proper inventory records documenting actual amounts of inventory on hand.

Response – Since the fiscal year 2004 audit the Storeroom, Clothing Center and Maintenance Departments have taken actions to improve the accuracy of their inventories as summarized below:

The Storeroom has recently hired another storekeeper who is familiar with the Storeroom's inventory process. This new staff will assist in the Storeroom's completion of their inventory duties related to issuance of items, documentation of items issued and entry of items into the Storeroom's Inventory System. In addition, staff at the storeroom have been given additional manpower and increased work-time to assist in the completion of their inventory related duties.

In reviewing the Clothing Center's Inventory it was determined that many of the errors were caused by having several subordinate staff involved in the data entry of the inventory after the retirement of the Clothing Center Supervisor. To improve accuracy and consistency in maintaining the inventory this responsibility has been assigned to the new supervisor. In addition, the supervisor has taken additional steps to verify inventory accuracy, including spot-checks and a thorough annual inventory, both of which result in the investigation of any discrepancies. Please also note that this is the new supervisor's first complete year of working with the Clothing Center's inventory, in which his increased experience and knowledge of the system will assist in noted accuracy improvements.

Finally, following these audit findings the Storeroom has changed the procedures for issuing small items/parts to the Maintenance Department. To improve the accuracy of the inventory the Storeroom is now issuing these supplies to the Maintenance Department in bulk, rather than in pieces.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

Questionable Expenditures – Procedure number 220.351 of the State Accounting Policy and Procedures Manual states in part, "retirement expenses must be in the form of plaques, frames certificates, or similar items.....cannot exceed \$75.00."

Three expenditures for retirement gifts did not appear to meet the State Accounting Policy and Procedures Manual requirements, including gold earrings, a silver necklace and scrapbooks.

Recommendation – Glenwood Resource Center should comply with procedure number 220.351 of the State Accounting Policy and Procedures Manual regarding the purchase of gifts.

Findings and Recommendations for Glenwood Resource Center

June 30, 2004

Response – Following the fiscal year 2004 audit, the Glenwood Resource Center Leadership Team advised all Glenwood Resource Center department directors/managers and purchasing staff that the State Accounting Policy and Procedures Manual procedure number 220.351 only allows for the purchase of plaques, framed certificates or the Iowa Veterans Commemorative medal for retirement gifts. To assure only these items are purchased the purchasing agent set up an account at a local retail store to purchase retirement gifts.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager
Jedd D. Moore, Staff Auditor
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Marc D. Johnson, Staff Auditor
Donald N. Miksch, Staff Auditor
Jessica L. Christensen, Assistant Auditor
Karen J. Kibbe, Assistant Auditor
Candice R. Meester, Assistant Auditor

June 30, 2004

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

Capital Assets – The State Juvenile Home is required to keep an up-to-date and accurate capital asset listing to track and maintain control over its capital assets. This includes properly classifying additions and deletions for equipment and vehicles throughout the fiscal year, making additions and deletions to the capital asset listing and ensuring items are properly tagged. Along with the capital asset list, the State Juvenile Home is required to keep an up-to-date and accurate list of accumulated depreciation on capital assets. This includes calculating accumulated depreciation and gains and losses on deletions made throughout the fiscal year. During testing, we noted:

- (1) Three assets observed did not have state identification tags affixed to them and three items observed were not properly included on the capital asset listing.
- (2) One item previously disposed of or below the capitalization threshold was improperly included on the capital asset listing.
- (3) Capital asset balances and accumulated depreciation balances were not reported correctly on the GAAP Package.

Recommendation – The State Juvenile Home should:

- (1) Develop and implement policies to ensure its capital asset listing is kept up to date and all items purchased are properly tagged with a state identification number.
- (2) Ensure all items included on the capital asset listing are still located at the facility by physical inventory.
- (3) Develop and implement policies to ensure accumulated depreciation, current fiscal year depreciation and gains and losses on additions and deletions during the current fiscal year are calculated correctly for capital assets.

Response – A complete physical inventory will be taken at the Institution on an annual basis. An accurate listing will be maintained in a database as well as the State's I-3 accounting system. Processes are in place for tagging items. A spreadsheet has been developed to correctly calculate capital asset balances and depreciation for capital assets.

Conclusion – Response accepted.

Finding and Recommendations for State Juvenile Home – Toledo

June 30, 2004

Staff:

Questions or requests for further assistance should be directed to:

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Scott P. Boisen, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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Dustin S. Boxa, Staff Auditor
Donna R. Neubauer, Assistant Auditor
Andrea M. Pothast, Assistant Auditor

Findings and Recommendations for State Training School - Eldora

June 30, 2004

Findings Reported in the State's Single Audit Report:

No matters were noted.

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:

K. David Voy, CPA, Manager
Julie J. Lyon, CPA, Staff Auditor
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Other individuals who participated on the audits include:

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Cynthia R. Ellingson, Assistant Auditor
Donna R. Neubauer, Assistant Auditor

June 30, 2004

Findings Reported in the State's Single Audit Report:

No matters were noted.

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:

K. David Voy, CPA, Manager
Brad R. Holtan, Staff Auditor
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Other individuals who participated on the audits include:

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Natalie J. Storm, CPA, Staff Auditor