



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ June 18, 2007

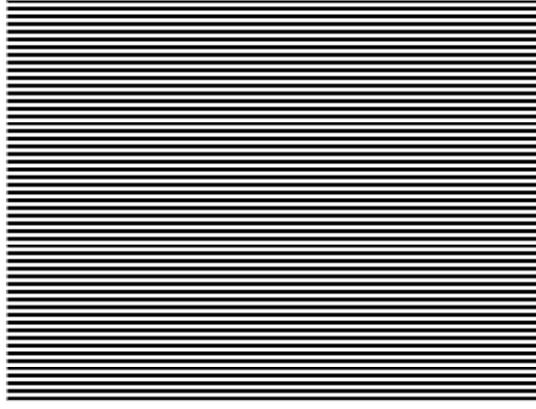
Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Judicial Branch for the year ended June 30, 2006. The Iowa Judicial Branch is comprised of the Supreme Court, the Court of Appeals, the District Court, the Clerk of Court and the Court Administrator.

The Iowa Judicial Branch's purpose is to exercise general, general appellate and original jurisdiction in civil and criminal cases and in all proceedings including probate and juvenile matters. The Iowa Judicial Branch determines rules for admission and discipline of the bar and adopts rules regulating appellate practice and procedures and promulgates regulations of the Commission on Judicial Qualifications, the Board of Law Examiners and the Board of Shorthand Reporters.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**REPORT OF RECOMMENDATIONS TO THE  
IOWA JUDICIAL BRANCH**

**JUNE 30, 2006**

Office of

**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
Auditor of State





0760-4440-0R00



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June 13, 2007

To the Iowa Judicial Branch:

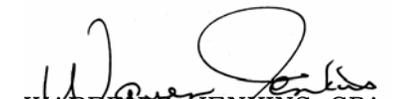
The Iowa Judicial Branch is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2006.

In conducting our audits, we became aware of certain aspects concerning the Iowa Judicial Branch's 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 Iowa Judicial Branch's internal control. These recommendations have been discussed with Iowa Judicial Branch personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Judicial Branch, citizens of the State of Iowa and other parties to whom the Iowa Judicial Branch 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 Iowa Judicial Branch during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Iowa Judicial Branch are listed on page 6 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 Chester J. Culver, Governor  
Charles Krogmeier, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the Iowa Judicial Branch

June 30, 2006

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Findings Related to Internal Control:**

(A) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department and division of the State to maintain an up-to-date inventory of all real and personal property belonging to the State. Errors noted included the following:

- 1) Seven assets included on the asset listing noted an incorrect location.
- 2) The total value of two assets purchased was included incorrectly on the asset listing as three separate assets.
- 3) A cabinet was included on the asset listing at the value of the computer system it once contained. The system had also been listed separately on the listing and has since been deleted. The cabinet's value is less than \$5,000.
- 4) Nine assets included on the asset listing could not be located due to the asset being either surplused or traded-in during a previous fiscal year.

Recommendation – The Iowa Judicial Branch should review its capital asset procedures to ensure accurate and current records are maintained.

Response – We will continue to improve our capital asset procedures to ensure accurate and current records are maintained.

Conclusion – Response accepted.

(B) GAAP Package – The GAAP Package is prepared by the Iowa Judicial Branch and submitted to the Iowa Department of Administrative Services, State Accounting Enterprise. The GAAP Package provides additional financial information that cannot be obtained from the State's Accounting System (I/3). The GAAP Package completed by the Iowa Judicial Branch contained several errors which required subsequent corrections. Errors noted included the following:

- 1) The balance of sick leave liability was overstated by \$24,678 and the amounts allocated between current and non-current liabilities were incorrect.
- 2) The employer share of costs related to the sick leave liability was overstated by \$39,919.
- 3) Accounts receivable and allowance for doubtful accounts were reported correctly in total but were incorrectly allocated by revenue function.
- 4) Capital assets and the related accumulated depreciation were overstated by \$346,116 due to nine assets being surplused or traded-in during previous fiscal years but not being deleted from the listing.
- 5) Statistical information regarding machinery and equipment was not reported.

Report of Recommendations to the Iowa Judicial Branch

June 30, 2006

- 6) Accumulated depreciation was overstated by \$39,115 due to several errors made in calculating the depreciation of assets which had increases to their value in fiscal year 2005 and in calculating building depreciation.
- 7) The future minimum lease payments for operating leases was overstated by \$119,605 and the related rental expense was overstated by \$25,266.

Recommendation – The GAAP Package should be accurately completed and reviewed by management prior to submission.

Response – We will accurately complete and properly review GAAP Packages in the future.

Conclusion – Response accepted.

- (C) Sick Leave Conversion Liability – When an Iowa Judicial Branch employee is eligible for retirement and has applied for state retirement benefits, the employee is entitled to convert unused sick leave to purchase health insurance after retirement. All employees receive a cash payment for accumulated, unused sick leave, not to exceed \$2,000. The dollar amount is based upon the number of hours of sick leave accrued times the per hour wage at the time of retirement. Then the employee may convert their remaining unused sick leave balance to a bank for the purpose of purchasing health insurance after retirement. The Iowa Judicial Branch then pays the employer's share of health insurance premiums each month until the converted balance is exhausted or until the employee is eligible for Medicare.

This liability is reported in the GAAP Package, which is prepared by the Iowa Judicial Branch and submitted to the Iowa Department of Administrative Services, State Accounting Enterprise. Numerous errors were noted in the calculation of the sick leave conversion liability due to spreadsheet and formula errors, causing the ending balance to be overstated by \$24,678. Also, the spreadsheet used to track health insurance premiums paid did not agree to the actual payments made. The Judicial Branch does not reconcile these amounts. These errors caused incorrect converted sick leave balances and incorrect calculations of the Judicial Branch's liability.

Recommendation – The Iowa Judicial Branch should review the sick leave liability calculation to determine and correct errors. The Iowa Judicial Branch should verify and reconcile actual payments made for health insurance premiums to the sick leave liability spreadsheet to help ensure each individual employee's balance/bank is accurate.

Response – We are working on improving our processes concerning the sick leave conversion program. We are reviewing our records and calculations to ensure accuracy. Verifications and reconciliations will be made periodically.

Conclusion – Response accepted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

Report of Recommendations to the Iowa Judicial Branch

June 30, 2006

**Staff:**

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager  
Tammy A. Wolterman, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Michael J. Hackett, Staff Auditor  
Andrew N. Pulford, Staff Auditor  
Dorothy A. Stover, Staff Auditor  
Brian P. Schenkelberg, Assistant Auditor  
Paula J. White, Assistant Auditor  
James R. Wittenwyler, Assistant Auditor