



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

September 11, 2007

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a combined report on the eight Judicial District Departments of Correctional Services for the year ended June 30, 2006.

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 \$5,507,665 at the Fourth Judicial District Department to \$19,335,584 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$5,496,807 at the Fourth Judicial District Department to \$19,157,263 at the Fifth Judicial District Department.

Vaudt made recommendations to strengthen internal controls and comply with statutory requirements at certain District Departments. The District Departments' responses are included in this report.

A copy of the report is available for review at each of the Judicial District Departments, 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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**COMBINED REPORT OF RECOMMENDATIONS TO THE
EIGHT JUDICIAL DISTRICT DEPARTMENTS OF
CORRECTIONAL SERVICES**

JUNE 30, 2006

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State

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September 4, 2007

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

The eight individual Judicial 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, 2006.

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, 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.

We have also included certain unaudited financial information for the Judicial District Departments for the year ended June 30, 2006.

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 11, 12, 13, 14, 15, 17, 18 and 20 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 J. Krogmeier, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

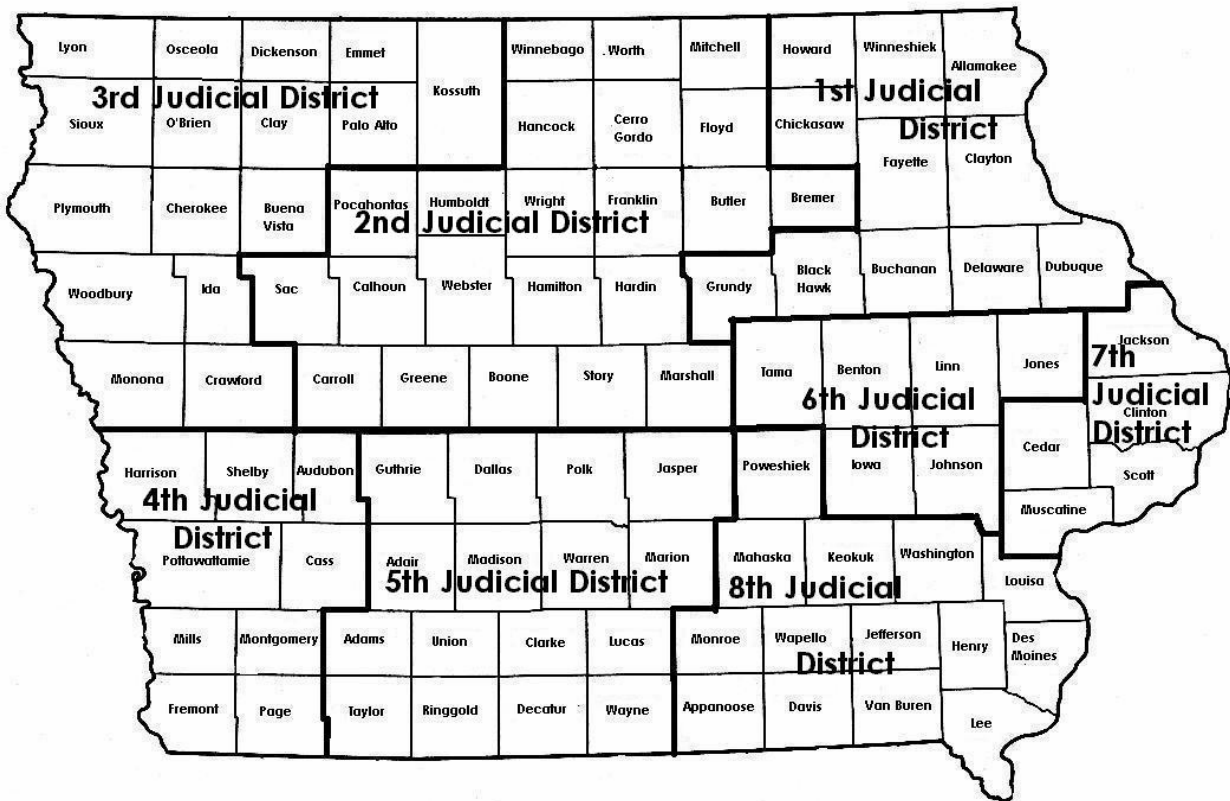
Eight Judicial District Departments of Correctional Services

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. 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.



Scope and Methodology

We have presented schedules of general fund revenues, expenditures and changes in fund balance by judicial 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 Districts 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.

Eight Judicial District Departments of Correctional Services

Overview

- (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 \$5,507,665 at the Fourth Judicial District Department to \$19,335,584 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$5,496,807 at the Fourth Judicial District Department to \$19,157,263 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, 2006

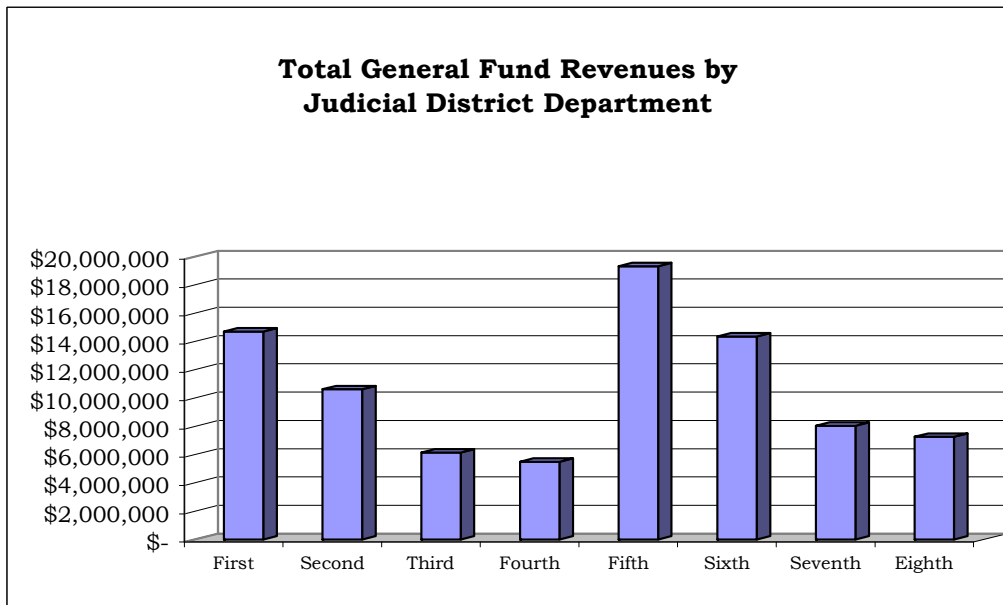
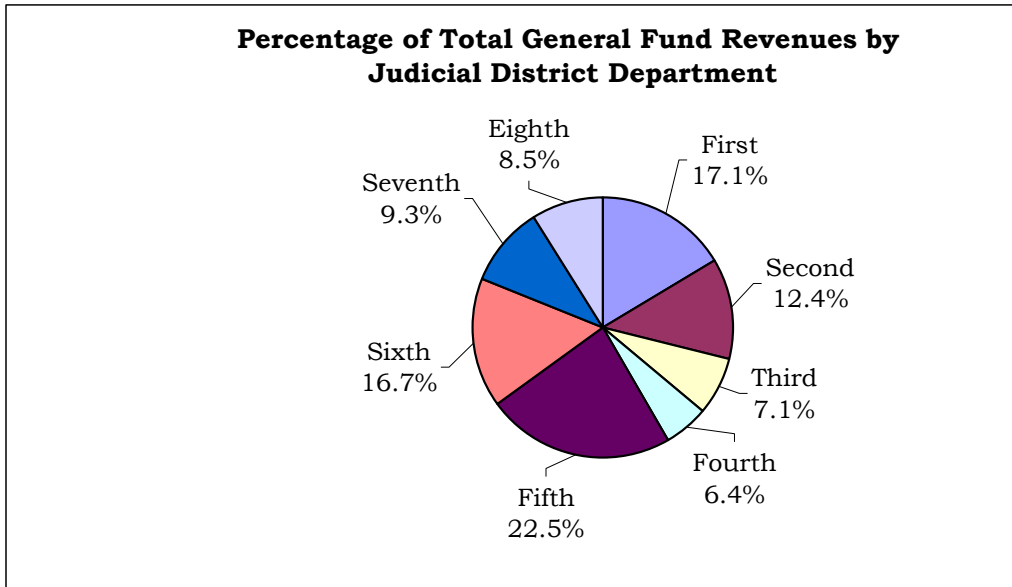
Revenues:	First	Second	Third
Net state appropriation allocation	\$ 11,143,105	8,870,512	5,295,226
Federal, state and local grants and contracts	1,242,706	362,322	-
Interest on investments	9,753	56,995	39,135
Fees, refunds and reimbursements	2,095,363	1,295,164	398,190
Rents and miscellaneous	216,374	43,983	412,936
Total revenues	14,707,301	10,628,976	6,145,487
Expenditures:			
Personal services	12,465,079	9,192,720	5,193,289
Travel and subsistence	102,507	148,960	61,559
Supplies	584,824	402,567	119,480
Contractual services	869,098	740,857	351,658
Equipment and repairs	450,803	200,049	80,803
Claims and miscellaneous	158,731	-	224,642
Plant improvements	-	4,690	-
Total expenditures	14,631,042	10,689,843	6,031,431
Excess (deficiency) of revenues over (under) expenditures	76,259	(60,867)	114,056
Fund balance beginning of the year	63,786	177,514	50,406
Fund balance end of the year	\$ 140,045	116,647	164,462

Judicial District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
4,962,550	15,278,601	11,035,021	6,237,256	6,309,818	69,132,089
17,684	133,251	1,134,051	415,479	55,899	3,361,392
5,497	133,087	60,576	11,229	14,568	330,840
511,397	3,759,074	2,023,037	1,364,455	821,550	12,268,230
10,537	31,571	109,593	8,112	65,066	898,172
5,507,665	19,335,584	14,362,278	8,036,531	7,266,901	85,990,723
4,656,451	15,451,560	12,107,443	6,803,478	5,952,229	71,822,249
83,980	177,729	82,963	64,310	87,672	809,680
240,637	732,271	515,702	369,191	356,182	3,320,854
430,435	2,140,476	680,512	719,556	643,364	6,575,956
85,304	447,075	519,567	72,715	173,383	2,029,699
-	208,152	130,456	14,030	80,350	816,361
-	-	276,689	-	-	281,379
5,496,807	19,157,263	14,313,332	8,043,280	7,293,180	85,656,178
10,858	178,321	48,946	(6,749)	(26,279)	334,545
121,786	696,756	321,225	31,026	34,609	1,497,108
132,644	875,077	370,171	24,277	8,330	1,831,653

Judicial District Departments

General Fund Revenues by Judicial District Department
(Unaudited)

Year ended June 30, 2006

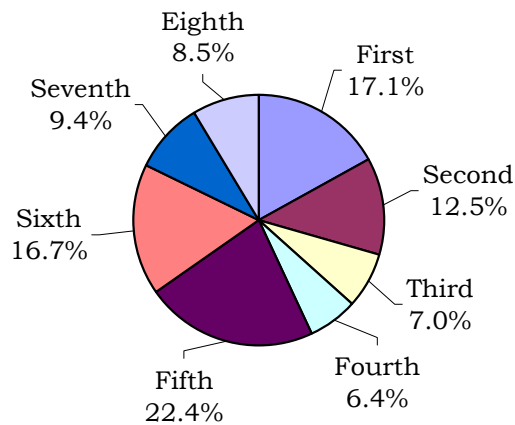


Judicial District Departments

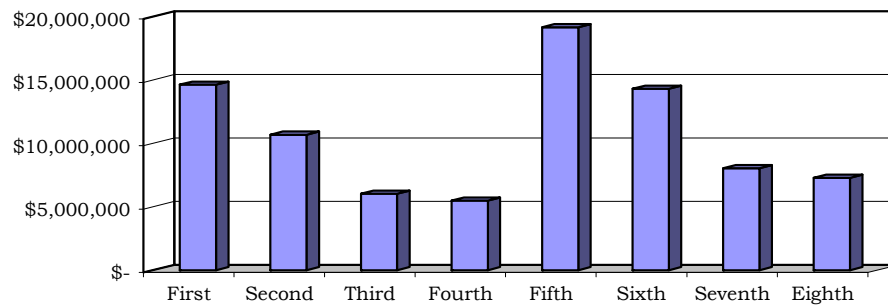
General Fund Expenditures by Judicial District Department
(Unaudited)

Year ended June 30, 2006

**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, 2006

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (1) Supervision Fees Receivable – District Departments are required to submit GAAP packages each year. The First Judicial District Department reported receivables for supervision fees. Reconciliations were not performed monthly for supervision fees receivable.

Recommendation – The First Judicial District Department should reconcile supervision fees receivable monthly.

Response – In fiscal year 2007, the First Judicial District began using a new web-based Offender Fee database developed by another judicial district. Currently there are three community-based districts using the system. We are still working out some problems with this database, but this new system will allow us to reconcile month-to-month activity and balance the system to offender fees receivable.

Conclusion – Response accepted.

- (2) Capital Assets Deleted – Purchased assets costing \$5,000 or more are maintained on a capital asset listing. An existing asset had been deleted from the capital asset listing.

Recommendation – Capital assets costing \$5,000 or more should be reported on the capital asset listing until they have been properly disposed of.

Response – In the future, we will verify capital assets on hand, match the detailed capital asset listing and ensure assets deleted from the listing are properly disposed.

Conclusion – Response accepted.

- (3) Agency Fund Account Ledgers – Client (offender) paychecks, miscellaneous receipts and personal disbursements are managed by the First Judicial District on behalf of the offender in an agency fund. The agency fund activity is annually reported to the state.

When calculating additions and deletions for the agency fund, the First Judicial District effectively counted certain transactions twice by inadvertently including adjustments, corrections and reversing activity causing an error in amounts reported to the state. The beginning and ending balance was properly reported

Recommendation – The District should ensure the report to the state is reviewed to help ensure accuracy.

Response – Any future computations of additions and deletions in agency funds will not include any reversal entries that inflate actual transaction activity.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the
First Judicial District Department

June 30, 2006

Staff:

Questions or requests for further assistance should be directed to:

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

Other individuals who participated on this audit include:

Shawn R. Elsbury, Staff Auditor
Adam D. Steffensmeier, Assistant Auditor

Report of Recommendations to the
Second Judicial District Department

June 30, 2006

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:

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

Other individuals who participated on this audit include:

Jeffrey L. Lenhart, Staff Auditor
Adam D. Steffensmeier, Assistant Auditor

Report of Recommendations to the
Third Judicial District Department

June 30, 2006

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:

Pamela J. Bormann, CPA, Manager
Nickolas J. Schaul, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Shannan M. Hoffman, Assistant Auditor

Report of Recommendations to the
Fourth Judicial District Department

June 30, 2006

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:

Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all unclaimed property be reported to the State Treasurer by November 1 following the end of the fiscal year. The Fourth Judicial District did not comply with Chapter 556.11 of the Code of Iowa.

Recommendation – The Fourth Judicial district should comply with Chapter 556.11 of the Code of Iowa.

Response – The Administrative Officer of the Fourth Judicial District will review Chapter 556.11 of the Code of Iowa and remit appropriate unclaimed property to the Treasurer – State of Iowa.

Conclusion – Response accepted

Staff:

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager
Chad D. Lehman, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Sharon K. Stickrod, Assistant Auditor

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2006

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

Segregation of Duties - Region Offices – Responsibilities for collection, deposit preparation and reconciliation functions should be separated from those of recording and accounting for receipts.

Currently, the secretary at the region offices collects and records the receipts and prepares and deposits the receipts.

Recommendation – Someone independent of the receipts process should compare the receipts to the cash and checks collected, compare the receipts to an authorized deposit slip and initial to indicate their review.

Response – In fiscal year 2007 the District Department began to require the secretaries in the region offices to have someone independent, preferably a supervisor if available, to sign off on the Collections Report, which compares the receipts from the fee collection system to checks/money orders collected. No cash should have been received in fiscal year 2007. Also the independent person shall compare the receipts from the Collections Report to the deposit. Once both of these reviews have taken place and everything agrees, the independent reviewer shall initial and date the Collections Report.

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:

Suzanne R. Hanft, CPA, Manager
Ryan J. Sisson, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Michael P. Piehl, Staff Auditor
Scott G. Anderson, Assistant Auditor

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2006

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (1) Accounts Receivable – District Departments are required to submit GAAP packages each year. The Sixth Judicial District Department reported receivables for supervision fees and client rent. Reconciliations were not performed monthly for supervision fees and client rent receivables. As a result, the supervision fees receivable understatement of approximately \$240,000 was not detected. In addition, the allowance for doubtful accounts was not properly calculated for supervision fees receivable.

Recommendation – The Sixth Judicial District Department should reconcile the supervision fees and client rent receivable monthly. In addition, a method should be developed to properly calculate the allowance for doubtful accounts for supervision fees receivable.

Response – Account reconciliations were performed on these accounts but a determination was never made on what is a realistic receivable and what is doubtful. A plan for deciding what constitutes the correct amount for receivables and doubtful accounts will be devised and used going forward. Our goal is to have a plan in place by the end of fiscal year 2007. A certain portion of client rent and supervision fees will be classified as doubtful to collect and written off. A certain portion of client rent and supervision fees will be classified as a receivable and a concerted effort will be made to collect that amount.

Conclusion – Response accepted.

- (2) Segregation of Duties – Client Accounts – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:

- (1) Client receipts – an independent person does not reconcile the client bank account and there is no independent review of the client bank reconciliation, the person responsible for deposit preparation and reconciliation also records and accounts for cash receipts and the reconciliation of outstanding loans is not done monthly.
- (2) Client disbursements – the accountant for the client accounts prepares and signs checks using facsimile plates and there is no evidence of review of the checks to the claims before the checks are disbursed.

Recommendation – To strengthen control over client receipts, the accountant and an independent person should reconcile the CBC Report to the checks/money orders received and document review/acceptance of the information. The client banking account should be reconciled by someone independent of client account receipts and disbursements. Finally, a reconciliation of outstanding loans should be done monthly and an independent person should review and document the review performed.

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2006

In addition, to strengthen controls over client disbursements, if the same person prepares and signs checks, an independent person should compare the checks to the claims before the checks are disbursed and document the review performed.

Response – Starting immediately, reconciliations for the residential banking account and residential loan funds will be done by a person other than the residential banking accountant. The District is in the process of having the client banking checks printed by a laser printer and a separate person will use a password protected application to sign the checks. The checks printed and the check register will be reconciled.

Conclusion – Response accepted.

- (3) Bank Reconciliations – A review of the monthly bank reconciliations for the client banking account identified several adjustments/reconciling items not been posted to the general ledger in a timely manner. Some of the adjustments/reconciling items have been carried forward on the bank reconciliations for several years.

Recommendation – The District Department should ensure adjustments/reconciling items noted on the monthly bank reconciliations are posted to the general ledger in a timely manner.

Response – Adjustments will be made in a timely manner and not carried over from year to year.

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:

Kay F. Dunn, CPA, Manager
Daniel L. Grady, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Shannan M. Hoffman, Assistant Auditor

Report of Recommendations to the
Seventh Judicial District Department

June 30, 2006

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:

Ronald D. Swanson, CPA, Manager
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Shelley M. Allen, Assistant Auditor

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2006

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (1) Segregation of Duties (Fairfield Administrative Office) – The responsibilities for collection, deposit preparation and reconciliation functions should be separated from those for recording and accounting for receipts. Currently, the administrative accountant prepares the deposit, deposits the receipts, accounts for receipts and performs the bank reconciliation. The District Director initials the bank reconciliations.

Recommendation – Someone independent of the receipts process should compare the receipts to the cash and checks collected, compare the receipts to an authorized deposit slip and initial to indicate review.

Response – Due to budget limitations, staff size is limited to one administrative accountant. We will continue to segregate duties as much as possible using the small staff available.

Conclusion – Response accepted.

- (2) Supervision Fees Receivable – District Departments are required to submit GAAP packages each year. The Eighth Judicial District Department reported receivables for supervision fees. A detailed listing of receivables at year end was not generated to support the amount in the GAAP package.

Recommendation – The Eighth Judicial District Department should prepare a detailed listing of the receivables at year end to support the amount reported in the GAAP package.

Response – The District Department will be using a new fee reporting program which will allow us to get the detailed listing to support the GAAP number.

Conclusion – Response accepted.

- (3) Contract Renewal – Two of six contracts tested were not current for fiscal year 2006. Three of the six contracts were effective July 1, 2001 with unlimited renewable terms. In addition, one of six contracts tested did not contain a clause denoting compliance with applicable laws and regulations or a clause regarding the assignment of the contract.

Recommendation – Contracts should be renewed when they expire if services are being continued. Contracts should also contain a fixed or determinable agreement period. In addition, to ensure proper control procedures, contracts should include all appropriate clauses.

Response – Most contracts were reviewed, rewritten and renewed during fiscal year 2007. There are still some contracts where renewable terms need to be set. Those contracts will be reviewed as staffing allows.

Conclusion – Response accepted.

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2006

Findings Related to Statutory Requirements and Other Matters:

Iowa Department of Corrections Annual Report – In accordance with Section 4.2.6 of the Purchase of Service Agreement, District Departments are required to submit an annual report to the Iowa Department of Corrections by December 1st for the previous fiscal year. The Eighth Judicial District Department did not submit the required annual report for June 30, 2006 by December 1, 2006.

Recommendation – The Eighth Judicial District Department should submit the annual report to the Iowa Department of Corrections by December 1st to comply with the Purchase of Service Agreement.

Response – The District Department will complete and submit the annual report to the Department of Corrections by the required due date.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Scott G. Anderson, Assistant Auditor