



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

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NEWS RELEASE

FOR RELEASE _____ July, 11, 2008

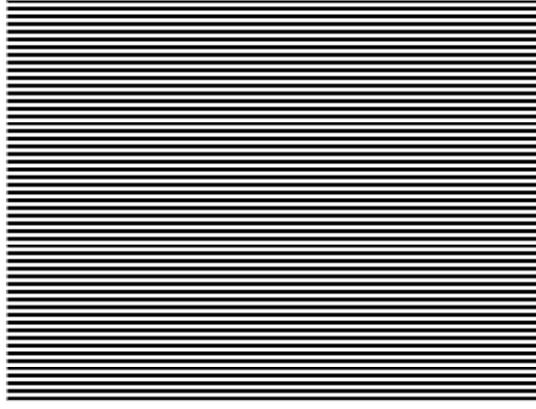
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Auditor of State David A. Vaudt today released a report on the Iowa Judicial Branch for the year ended June 30, 2007. The Iowa Judicial Branch is comprised of the Supreme Court, the Court of Appeals, the District Court, the Clerk of Court and the Court 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, 2007

Office of

**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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July 7, 2008

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, 2007.

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 include those reported in the State's Report on 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 7 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
Timothy C. Faller, Interim Director, Legislative Services Agency

June 30, 2007

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

(A) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department of the state to maintain a written, detailed and up-to-date inventory of property under its charge and control. The following items were noted regarding the Iowa Judicial Branch's capital assets:

- (a) An accurate year-end capital asset listing, including the cost and book value of each asset, was not maintained to support the amounts reported on the GAAP package. The following items were noted:
 - (1) Current year additions were reported on the GAAP package but were not added to the capital asset listing. Also, an asset with a cost of \$117,098 acquired in a previous fiscal year is included on the GAAP package but has not been added to the capital asset listing.
 - (2) Certain prior year deletions reported on previous fiscal year GAAP packages and fiscal year 2007 deletions have not been removed from the capital asset listing.
 - (3) The value of certain assets was increased \$6,238 during fiscal year 2005. The cost adjustment for these assets is properly included in the GAAP package but the acquisition cost of the assets has not been adjusted on the capital asset listing.
 - (4) Adjustments of \$321,374 were made to the fiscal year 2007 GAAP package to remove assets which had been deleted in previous fiscal years. The assets have not been removed from the capital asset listing.
 - (5) Depreciation on the fiscal year 2005 additions was properly calculated to include a partial year of depreciation. However, the fiscal year 2005 balance (book value) on the capital asset listing was incorrectly transferred from fiscal year 2005 to fiscal year 2006 to reflect a full year of depreciation in the year of acquisition. The error still exists on the current asset listing.
- (b) Several errors were noted in the amounts reported in the GAAP package, including errors in depreciation calculations:
 - (1) Accumulated depreciation was understated by \$1,368 due to several errors made in calculating the depreciation of assets which had value increases in fiscal year 2005. While a similar error was made in the prior year, an adjustment was made during fiscal year 2007 to correct this error. However, the current year depreciation calculation was not adjusted.

Report of Recommendations to the Iowa Judicial Branch

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- (2) The current year depreciation for two assets was understated by \$1,808.
 - (3) One asset was depreciated \$720 in excess of its cost.
 - (4) The amount removed from accumulated depreciation for two assets deleted during fiscal year 2007 was overstated by \$4,344.
 - (5) Current year depreciation was understated by \$36,458 due to including an adjustment both as a reduction to the current year depreciation and in the adjustments column on the GAAP package.
 - (6) The \$117,098 asset referred to in (a) (1) above has not been depreciated so the accumulated depreciation is understated \$117,098.
 - (7) An asset with a cost of \$16,245 was deleted from the capital asset listing but not included in deletions on the GAAP package.
 - (8) Adjustments and deletions totaling \$63,128 were incorrectly reported on the fiscal year 2007 GAAP package as capital asset and accumulated depreciation reductions. The net effect of the errors is zero, but both the cost and accumulated depreciation amounts reported on the GAAP package are understated.
- (c) Two assets included on the capital asset listing could not be located due to the asset being either discarded or traded-in during a previous fiscal year.
- (d) A physical observation of capital assets has not been performed periodically by an employee having no responsibility for the assets.

Recommendation – The Iowa Judicial Branch should develop capital asset procedures to ensure a detailed, up-to-date capital asset listing is maintained to support the amounts reported on the GAAP package. Procedures should include, but not be limited to, ensuring capital asset additions are included in the capital asset listing when acquired, deletions are promptly reported and removed from the capital asset listing, identified errors are corrected promptly, depreciation calculations are accurate and an observation of assets is performed periodically by an independent person.

Response – There appears to be data integrity issues with our capital asset data base. Because of the numerous errors noted we intend to redesign our system and develop an easier to maintain and reconcile capital asset system and listing.

Conclusion – Response accepted.

- (B) Financial Reporting – The Iowa Judicial Branch records receipts and disbursements on the I/3 system throughout the year, including the accrual period. Activity not recorded on the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS – SAE) on a GAAP package.

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June 30, 2007

The Iowa Judicial Branch's GAAP package includes accounts receivable and an allowance for uncollectible accounts for unpaid fines and other fees due to the State and payable at the Clerk of Court offices. The following items were noted:

- (1) The calculations of the allowance for uncollectible accounts and the aging of receivables is based on percentages of actual collections during 2002. The percentages have not been updated to reflect current trends in actual collections.
- (2) The GAAP package included an input error which resulted in understating the total and current portion of receivables and overstating the noncurrent portion of receivables by \$2,409,700. This item was properly adjusted for reporting purposes.

Recommendation – The Iowa Judicial Branch should review and update the method used to estimate the allowance for uncollectible and aging of receivables. The estimate for uncollectible amounts should be based on averages over the past several years. The amounts reported, including the detailed calculations, should be reviewed by management for accuracy prior to submission of the GAAP package.

Response – We have already begun work to update our method used to estimate the allowance for uncollectible accounts and aging of receivables. We plan to have updated and accurate numbers for our next GAAP package submission.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa Judicial Branch

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Staff:

Questions or requests for further assistance should be directed to:

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Michelle L. Harris, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Brian P. Schenkelberg, CPA, Staff Auditor
Ryan J. Sisson, Staff Auditor
Dorothy A. Stover, Staff Auditor
Tracey L. Gerrish, Assistant Auditor
Keith C. Kistenmacher, Assistant Auditor