



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE August 13, 2008

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a report on the Iowa Department of Justice for the year ended June 30, 2007.

The Iowa Department of Justice, with the Attorney General as head and chief legal officer of the state, is established under the Constitution of the State of Iowa and Chapter 13 of the Code of Iowa. The Iowa Department of Justice prosecutes and defends all cases in the Supreme Court in which the state is a party or has an interest. The Iowa Department of Justice also represents the state in other actions and proceedings, both civil and criminal, when, in its judgment, the best interests of the state require it to do so, or when requested to appear by the Governor or the Executive Council.

Vaudt recommended the Department strengthen controls over receipts by segregating duties to the extent possible. In addition, the Department should take steps to comply with provisions of the Code of Iowa which require preparation and submission of certain reports.

A copy of the audit report is available for review at the Iowa Department of Justice, 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 DEPARTMENT OF JUSTICE**

JUNE 30, 2007

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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August 11, 2008

To the Honorable Thomas J. Miller, Attorney General
of the State of Iowa:

The Iowa Department of Justice 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 Department'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 Department's internal control, compliance with statutory requirements and other matters. These recommendations have been discussed with Department 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 Department of Justice, citizens of the State of Iowa and other parties to whom the Department 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 Department 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 Department are listed on page 8 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
Timothy C. Faller, Interim Director, Legislative Services Agency

Iowa Department of Justice

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:

No matters were noted.

Other Findings Related to Internal Control:

- (A) Segregation of Duties – During our review of internal control, existing procedures are evaluated to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Department's financial statements.

Attorney General's Office – Although an initial receipt listing is prepared by the mail opener, the listing is not periodically compared to the amounts recorded on I/3 by someone independent of recording and depositing receipts.

Prosecuting Attorneys Office – Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording receipts.

Office of Consumer Advocate – The following were noted:

- (1) A reconciliation of accounts receivable is not reviewed by someone independent of recording and depositing receipts on account.
- (2) An aging of receivables is not prepared and reviewed periodically for delinquent receivables.

Recommendations –

Attorney General's Office – An independent person should periodically compare the initial receipt listing to the amounts recorded on I/3.

Office of Consumer Advocate and Prosecuting Attorneys Office – We realize segregation of duties is difficult with a limited number of employees. However, these Offices should review their operating procedures to obtain the maximum internal control possible under the circumstances. A receivables aging report should be prepared and reviewed periodically.

Responses –

Attorney General's Office and Prosecuting Attorneys Office – As a smaller agency, it is very difficult to segregate duties yet allow for back-up for accounting procedures. The Attorney General's Office and the Prosecuting Attorneys Office review policies and procedures on a regular basis to make sure we have the best possible control our situation will allow. We believe giving multiple employees access to our systems actually enhances our cross-checking abilities. Together with the Prosecuting Attorneys Office, the Attorney General's Office will establish a policy to compare initial receipt listings to the deposit amounts recorded in I/3 by an employee independent of the current receipt process.

Report of Recommendations to the Iowa Department of Justice

June 30, 2007

Office of Consumer Advocate

- (1) The Iowa Utilities Board accountant records the invoice receivable information in the accounts receivable spreadsheet. The accounting clerk prepares the daily deposits and validates the payment coupons mailed with the company checks. The accounting technician matches the coupons to the unpaid invoices in the receivable file. She then enters the payment information into the receivable spreadsheet. The accounting clerk files the paid invoices. A new procedure has been implemented to assign the duty of balancing the receivable monthly with the deposits. Because of the limited number of accounting staff available to assign additional duties this procedure had been delayed. The procedure is in place as of June 30, 2008.
- (2) Because of the limited number of accounting staff available to assign additional duties, a procedure to assign the duty of preparing an aging report and sending delinquent receivables had been delayed. The procedure is in place as of June 30, 2008.

Conclusion – Response accepted.

- (B) Financial Reporting – Departments record 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. Specific accounting procedures are required to be followed when reporting receipts anticipated to be collected after the close of the accrual period and revenue received during the fiscal year which has not been earned. The amounts reported in the Department’s GAAP package for accounts receivable was understated by \$229,761 and deferred revenue was overstated by \$177,200.

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

Response – An aging receivable report has been created for the Iowa Utilities Board (IUB) and the Office of Consumer Advocate (OCA) which share the accounts receivable journal maintained by the IUB. Charges billed to Iowa utilities companies are billed on a single invoice by company to simplify the billing process for the companies. Monies received from those invoices are credited to the General Fund accounts of the IUB and the OCA when receipted. The accounts receivable file is balanced monthly against the I/3 receipt total to verify payment of invoices. The new aging report of unpaid invoices and the tracking of late notices issued to the companies should ensure the amounts reported on the GAAP package in the future are materially correct.

Conclusion – Response accepted

June 30, 2007

Findings Related to Statutory Requirements and Other Matters:

Iowa Code Compliance – The following were noted.

- (1) Iowa Consumer Credit Code – Chapter 537.6104(5) of the Code of Iowa requires the administrator of the Iowa Consumer Credit Code to report annually to the General Assembly on the operation of the consumer credit protection bureau and on the problems of persons of small means obtaining credit from persons regularly engaged in extending sales or loan credit. This report has not been made to the General Assembly for several years.
- (2) Biennial Report – Chapter 7A.6 of the Code of Iowa states the biennial report of the attorney general shall cover the two-year period ending with December 31 in even-numbered years and shall be filed as soon as practicable after the expiration of said period, but not later than March 1. As of July 31, 2008, this report had not been made to the General Assembly.

Recommendation – The Attorney General’s Office should make the required annual report to the General Assembly regarding the operation of the consumer credit protection bureau. If the Department does not intend to comply with this Code section, then steps should be taken to eliminate this requirement in the future. In addition, the Attorney General’s Office should ensure the required biennial report is filed.

Response –

- (1) The Attorney General’s Office is currently reviewing and finalizing the annual report prior to submitting it to the General Assembly.
- (2) The Attorney General’s report will be filed with the Governor by September 1, 2008. The delay was caused by lack of adequate staff resources. It is important to note that, traditionally, Attorney General Opinions were the most widely used information included in the Attorney General’s report. For numerous years, Attorney General Opinions have been available to the public on the Attorney General’s website a few days after Opinions are issued.

Conclusion – Response accepted

Report of Recommendations to the Iowa Department of Justice

June 30, 2007

Staff:

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager
Michael P. Piehl, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

James R. Wittenwyler, Staff Auditor
Tracey L. Gerrish, Assistant Auditor
Jennifer A. Karrasch, Assistant Auditor