



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

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NEWS RELEASE

FOR RELEASE

September 29, 2008

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, 2007.

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 \$5,793,950 at the Fourth Judicial District Department to \$21,622,023 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$5,875,047 at the Fourth Judicial District Department to \$21,299,945 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, 2007

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State

Table of Contents

	<u>Page</u>
Auditor of State's Report	3
Overview	4-5
Schedules:	<u>Schedule</u>
Schedule of General Fund Revenues, Expenditures and Changes in Fund Balance by Judicial District Department	1 6-7
General Fund Revenues by Judicial District Department	2 8
General Fund Expenditures by Judicial District Department	3 9
Findings and Recommendations:	
First Judicial District Department	10
Second Judicial District Department	11-12
Third Judicial District Department	13
Fourth Judicial District Department	14
Fifth Judicial District Department	15
Sixth Judicial District Department	16-18
Seventh Judicial District Department	19
Eighth Judicial District Department	20-21



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September 24, 2008

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

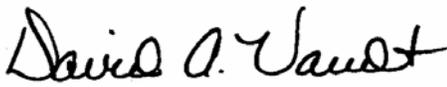
The eight individual Judicial District Departments are part of the State of Iowa and, as such, have been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2007.

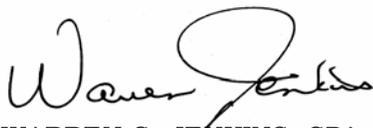
In conducting our audits, we became aware of certain aspects concerning the various District Departments' operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which pertain to the District Departments' internal control and 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, 2007.

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 10, 12, 13, 14, 15, 18, 19 and 21 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
Director, Legislative Services Agency

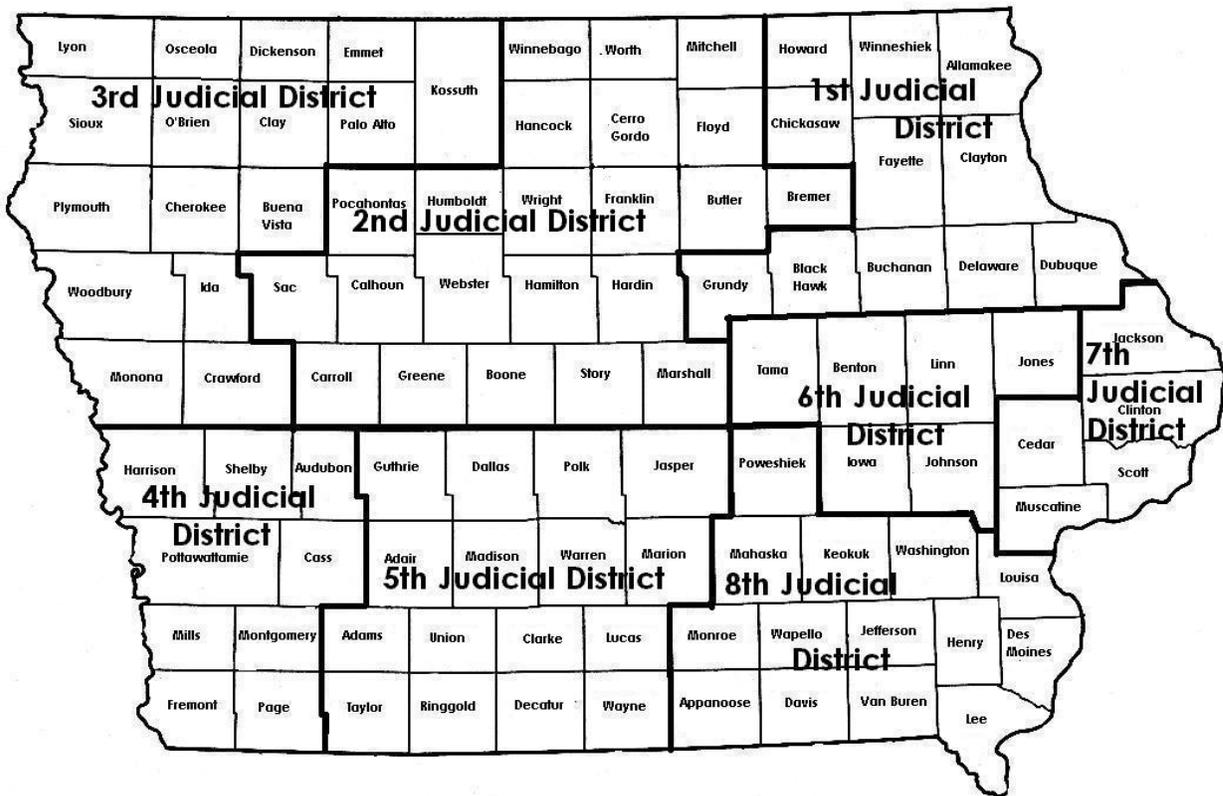
Eight Judicial District Departments of Correctional Services

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 \$5,793,950 at the Fourth Judicial District Department to \$21,622,023 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$5,875,047 at the Fourth Judicial District Department to \$21,299,945 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, 2007

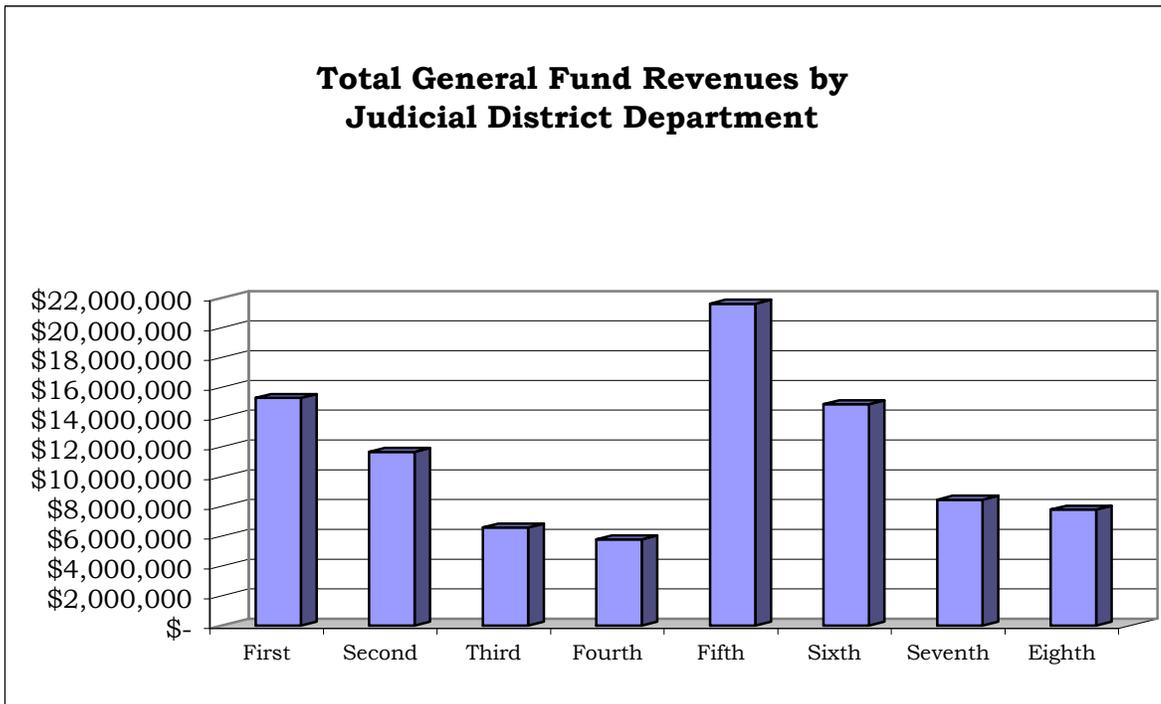
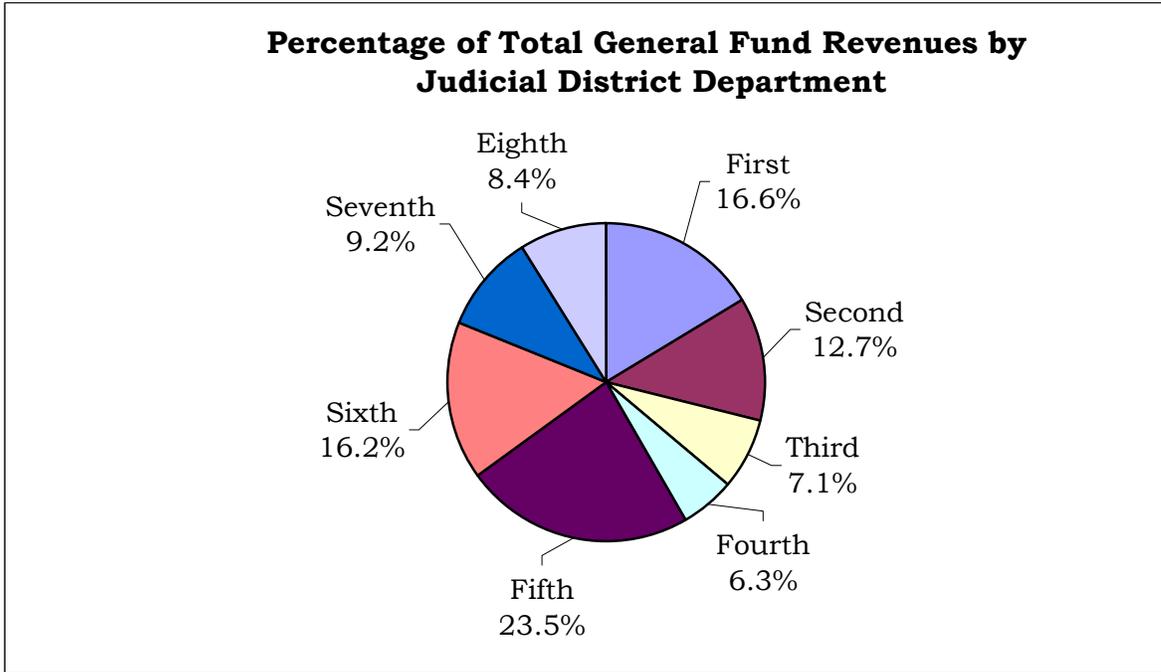
	First	Second	Third
Revenues:			
Net state appropriation allocation	\$ 11,862,306	9,678,482	5,700,086
Federal, state and local grants and contracts	1,216,307	499,975	-
Interest on investments	6,721	78,894	52,473
Fees, refunds and reimbursements	2,201,656	1,362,915	419,833
Rents and miscellaneous	-	43,273	410,039
Total revenues	15,286,990	11,663,539	6,582,431
Expenditures:			
Personal services	13,348,690	9,958,118	5,585,220
Travel and subsistence	152,524	139,460	68,057
Supplies	586,100	353,419	120,903
Contractual services	887,185	803,587	344,355
Equipment and repairs	261,931	269,079	64,654
Claims and miscellaneous	179,887	-	229,192
Plant improvements	-	30,367	-
Total expenditures	15,416,317	11,554,030	6,412,381
Excess (deficiency) of revenues over (under) expenditures	(129,327)	109,509	170,050
Fund balance beginning of the year	140,045	116,647	164,462
Fund balance end of the year	\$ 10,718	226,156	334,512

Judicial District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
5,246,126	17,025,662	11,718,661	6,758,894	6,854,177	74,844,394
10,000	133,250	1,078,489	156,805	15,000	3,109,826
5,173	197,166	64,052	53,028	14,631	472,138
519,647	4,237,006	1,909,322	1,484,592	826,077	12,961,048
13,004	28,939	95,444	-	76,272	666,971
5,793,950	21,622,023	14,865,968	8,453,319	7,786,157	92,054,377
5,078,817	16,988,175	12,698,174	7,204,522	6,466,388	77,328,104
91,359	162,174	90,748	61,760	118,937	885,019
197,460	731,380	599,331	405,932	326,124	3,320,649
487,375	2,927,924	699,646	613,244	720,456	7,483,772
6,477	288,010	482,552	159,733	54,398	1,586,834
13,559	202,282	146,460	16,815	93,387	881,582
-	-	368,906	600	-	399,873
5,875,047	21,299,945	15,085,817	8,462,606	7,779,690	91,885,833
(81,097)	322,078	(219,849)	(9,287)	6,467	168,544
132,644	875,077	370,171	24,277	8,330	1,831,653
51,547	1,197,155	150,322	14,990	14,797	2,000,197

Judicial District Departments

General Fund Revenues by Judicial District Department
(Unaudited)

Year ended June 30, 2007

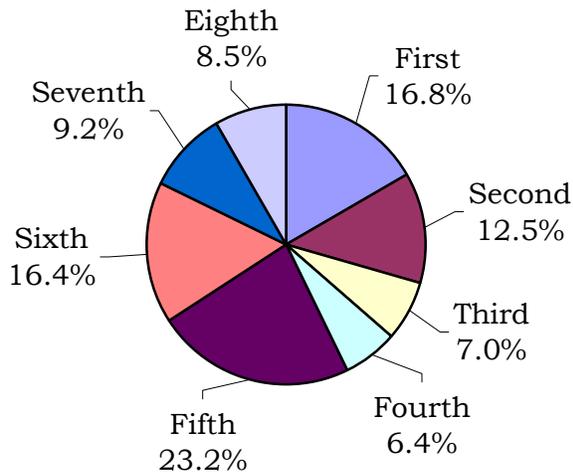


Judicial District Departments

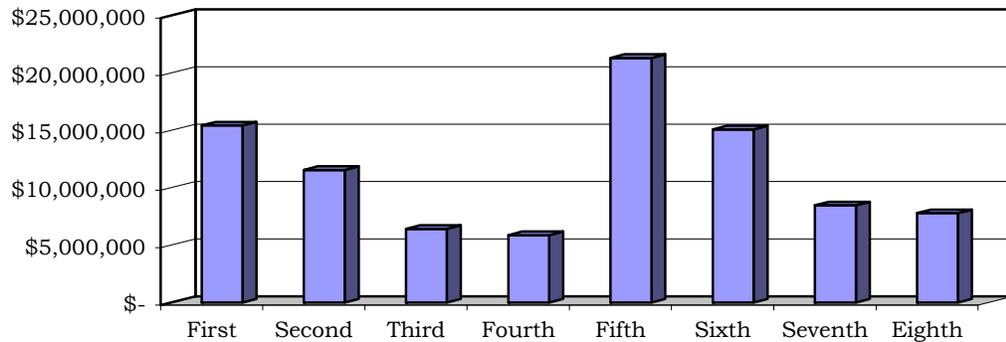
General Fund Expenditures by Judicial District Department
(Unaudited)

Year ended June 30, 2007

**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, 2007

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

Credit Cards – The Department has credit cards for use by various employees for Department business. The Department had a number of credit card purchases in which sales tax was paid and the Department paid a late fee. The Department has not adopted a formal policy to regulate the use of credit cards and has not established procedures for the proper accounting of credit card charges.

Recommendation – The Department should adopt a formal written policy regulating the use of Department credit cards. The policy should, at a minimum, address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate changes.

Response – The Department will adopt a formal written policy regulating the use of Department credit cards detailing the guidelines and controls as noted.

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
Darryl J. Brumm, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Gelu Sherpa, Staff Auditor
Joshua B. Ludwig, Assistant Auditor

Report of Recommendations to the
Second Judicial District Department

June 30, 2007

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

Regional Office Cash Collections – Fees are collected at regional offices within the district and are remitted to the administrative office in Ames. The following weaknesses were noted in the cash collection process:

- (1) Parole officers collect money from offenders for various fees and issue a receipt. When moneys collected by the parole officers are provided to the regional office, regional office personnel are not consistently documenting the receipt of funds by initialing the receipt books.
- (2) The Marshalltown office maintains cash in a location that is not locked at all times. All personnel have access to the money until it is converted to a money order and submitted to the administrative office.
- (3) Cash receipts at the Fort Dodge office are kept in a lockbox until sent to the administrative office. The key to the lock box is kept in the same drawer as the box itself and all personnel are aware of its location.

Recommendation – Regional office staff should document the receipt of money by initialing each receipt. Custody of cash and safekeeping of keys should be restricted to office personnel responsible for preparation of receipts for remittance to the administrative office.

Response – We will investigate and select new methods to put in place in all area offices so an audit trail will fully document custody of checks/cash throughout the receipt process. These new methods will be communicated to all staff, and will include an acknowledgment process when money changes custody and/or is placed in a secure lockbox/filing cabinet. The District will also investigate the process of accepting payment from clients through credit and/or debit cards. If implemented, this could greatly reduce the amount of cash payments received throughout Second Judicial.

Procedures in the Marshalltown Field Services Office will be changed to ensure only those persons responsible for preparing deposits will have access to any cash/checks placed and locked in a secure location.

In the Fort Dodge Field Services Office procedural changes will be made so the key to the lockbox will be kept at all times in the possession of only those individuals responsible for preparing deposits.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the
Second Judicial District Department

June 30, 2007

Staff:

Questions or requests for further assistance should be directed to:

Ernest H. Ruben, Jr., CPA, Manager
Jenny R. Schneider, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Adam D. Steffensmeier, Staff Auditor

Report of Recommendations to the
Third Judicial District Department

June 30, 2007

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
Shannan M. Hoffman, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Delynne M. Kroeger, Staff Auditor

Report of Recommendations to the
Fourth Judicial District Department

June 30, 2007

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

Receipts – Checks received in the mail are not restrictively endorsed by the mail opener immediately upon receipt.

Recommendation – Checks should be restrictively endorsed (for deposit only) upon receipt by the mail opener.

Response – This has been discussed and explained to the mail opener. The mail opener will restrictively endorse all checks immediately upon receipt.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

Contingency Plan – Section 201, Corrections Department, Chapter 44.2 of the Iowa Administrative Code requires the Department to have contingency plans ensuring continuation of operation in the event of an emergency. The Department's contingency plan does not address areas they are responsible for, such as the identification of staff responsibilities, establishment of a predetermined priority for processing transactions, record recovery or restoration, and making provisions for the use of manual procedures, if necessary.

Recommendation – The Department should develop and implement a comprehensive contingency plan which encompasses the duties and responsibilities of the Department.

Response – The Department will prepare a current contingency plan ensuring proper continuation of operations in the event of an emergency.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager
Brian P. Schenkelberg, CPA, 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, 2007

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
Shelley M. Klingbeil, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Gelu Sherpa, Staff Auditor
Tracey L. Gerrish, Assistant Auditor

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2007

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 Department reported receivables for supervision fees and client rent. Reconciliations were not performed monthly for supervision fees and client rent receivables. In addition, the allowance for doubtful accounts was not properly calculated for supervision fees and client rent receivables.

Recommendation – The 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 and client rent receivables.

Response – Monthly reconciliations for supervision fee receivables and residential rent receivables will be performed. The allowance for doubtful accounts will include receivables from past years to be collected, amounts owed from discharged clients and amounts to be collected in the next fiscal year and beyond.

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 residential bank account and there is no independent review of the residential bank reconciliation. In addition, the person responsible for deposit preparation and reconciliation also records and accounts for cash receipts and a reconciliation of outstanding loans is not performed monthly.

- (2) Client disbursements – the accountant for the residential account prepares claims and prepares and signs checks using facsimile plates. However, there is no evidence of review or documentation of the disbursements being compared to the checks before the checks are disbursed.

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

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

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2007

Response – An independent person will review the CBC Hold report from residential banking to verify its accuracy.

The bank account for residential banking will be reconciled by a person not depositing receipts or making disbursements.

An independent person will review a report of outstanding loans. A person independent of the process will review the residential checks produced for number of checks and that checks have proper payee.

Conclusion – Response accepted.

- (3) Bank Reconciliation – A review of the monthly bank reconciliations for the residential bank account identified several adjustments/reconciling items not 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 Department should ensure adjustments/reconciling items noted on the monthly bank reconciliations are posted to the general ledger in a timely manner.

Response – Adjustments and reconciling items noted on the monthly bank reconciliations will be posted to the general ledger in a timely manner.

Conclusion – Response accepted.

- (4) Documentation of Reviews Performed – A person independent of claim, payroll journal and bank reconciliation reviews these documents but evidence of the review is not retained.

Recommendation – Evidence of review of claims, payroll journals and bank reconciliations should be retained.

Response – In the future, record of such reviews will be retained.

Conclusion – Response accepted.

- (5) GAAP Package – Departments are required to submit GAAP packages each year. The GAAP package had errors in the following sections:

- (1) The Agency Fund client account ending cash balance was overstated. The additions were overstated and the deductions were understated.
- (2) Rental expense on operating leases was understated and the future lease obligations were understated.
- (3) The capital lease/installment purchase ending balance was understated and the future capital lease/installment purchase obligations were understated.
- (4) The liability for compensated absences was overstated at year end and decreases for compensated absences were understated.
- (5) There was no evidence of independent review of the GAAP package. The individual who signed the certification page also prepared several sections of the GAAP package.

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2007

Recommendation – The Department should ensure the proper amounts are reported when preparing the GAAP package. In addition, an individual independent of the GAAP package preparation should review the GAAP package and sign the certification page as evidence of review.

Response – Care will be taken to ensure the GAAP package is accurate. An independent person will review and sign off on the package.

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, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Jenny M. Podrebarac, Assistant Auditor

Report of Recommendations to the
Seventh Judicial District Department

June 30, 2007

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

Receipt Book Reconciliations – Collections are recorded in a receipt book. However, there is no reconciliation by a person independent of the receipt process between the deposit and the receipt books.

Recommendation – The Department should ensure a person independent of the receipt process reconciles the deposit and the manual receipt books. The review should be evidenced by the initials or signature of the reviewer and the date of review.

Response – An independent person will reconcile the manual receipts to the deposits.

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:

Ernest H. Ruben, Jr., CPA, Manager
James R. Wittenwyler, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Michael L. Castagnoli, Assistant Auditor

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2007

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 receipt process should compare the receipts to the cash and checks collected, compare the receipts to a validated 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) Contract Renewal – Three of six contracts tested were not current for fiscal year 2007. 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.

- (3) Timely Deposits – Payments collected by probation and parole officers (PPO) in the District are transported to the District office in Fairfield. Some collections may be transported to a smaller office within the District before they are transported to the Fairfield office. One PPO was not depositing collections timely. In some instances, collections were not deposited for several months.

Recommendation – When feasible, collections should be deposited at a local bank rather than held for transportation to another office within the District. Also, District officials should implement procedures to ensure all collections are deposited in a timely manner.

Response – Due to opening bank accounts in our four different office locations, supervision fees are now deposited weekly.

Conclusion – Response accepted.

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2007

- (4) Undeposited Collections – In most instances, the collection and deposit of supervision fees is the responsibility of the individual probation and parole officers. Through inquiry of administrative staff in Fairfield, receipts written for \$255 were not able to be traced to a subsequent bank deposit.

Recommendation – District officials should implement procedures to ensure all receipts are deposited.

Response – All officers were trained on the computerized Offender Fee Program. When receiving money it is entered directly into the fee program and a receipt is printed and given to the offender. Most manual receipt books have been eliminated so receipting of fees is done in the Offender Fee Program. Each week a reconciliation report is printed from the fee program and matched to money and receipts for each offender. Any discrepancies are reconciled and corrected.

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:

Joe T. Marturello, CIA, Manager
Paula J. Smothers, Assistant Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Keith C. Kistenmacher, Assistant Auditor