



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

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**NEWS RELEASE**

Contact: Andy Nielsen

FOR RELEASE \_\_\_\_\_ July 16, 2009

515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Judicial Branch for the year ended June 30, 2008. 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.

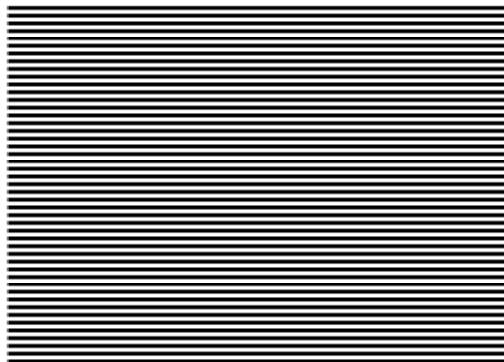
The Iowa Judicial Branch's purpose is to exercise general, general appellate and original jurisdiction in civil and criminal cases and in all proceedings including probate and juvenile matters. The Iowa Judicial Branch determines rules for admission and discipline of the bar and adopts rules regulating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

Vaudt recommended the Iowa Judicial Branch review its policies and procedures for reviewing legislative changes annually, maintaining a detailed, up-to-date capital asset listing and segregating the duties of the Human Resources Associates from the duties of payroll. In addition, Vaudt also recommended the Iowa Judicial Branch consult legal counsel regarding an error in the retention of certain income offset collections. The Iowa Judicial Branch's responses are included in the report.

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, 2008**

Office of  
**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
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July 7, 2009

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, 2008.

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.

The Iowa Judicial Branch's responses to the findings identified in our audit are included in this report. While we have expressed our conclusions on the Branch's responses, we did not audit the Iowa Judicial Branch's responses and, accordingly, we express no opinion on them.

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  
Director, Department of Management  
Glen Dickinson, Director, Legislative Services Agency

June 30, 2008

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

No matters were noted.

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

- (A) Financial Reporting - Prior to fiscal year 2004, Chapter 421.17(25)(f) of the 2003 Code of Iowa allowed the Judicial Branch to keep 10% of income tax offset collections to defray the costs of the income offset procedures. In the 80<sup>th</sup> General Assembly, 2003 Session, Ch. 145 Section 254, an amendment was made to strike Chapter 421.17(25) in the 2003 Code of Iowa. The Iowa Judicial Branch was not aware of the change in legislation and continued to retain 10% of the income offset collections. In fiscal year 2009, the Iowa Judicial Branch became aware of the error and made adjustments to move the amounts retained from income offsets for July 2008 through November 2008 to the State's General Fund. For the period July 1, 2004 through June 30, 2008, the Iowa Judicial Branch retained \$2,207,962 of income tax offset collections in error.

Recommendation – The Iowa Judicial Branch should consult legal counsel to determine the disposition of this matter. In addition, the Iowa Judicial Branch should establish procedures for reviewing legislative changes annually to ensure compliance with applicable laws, rules and regulations.

Response – We will consult legal counsel to determine disposition of this matter. We have proposed legislation in this session to allow the Iowa Judicial Branch to retain 10% of the income tax offset. We have procedures for reviewing legislative changes annually to ensure compliance with applicable rules and regulations.

Conclusion – Response accepted.

- (B) 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 were noted regarding the Iowa Judicial Branch's capital assets:

- 1) The year-end capital asset listing excluded the current year additions and included impaired assets which were deleted.
- 2) The ending balances for cost and accumulated depreciation for machinery, equipment and vehicles were overstated by \$109,519 and \$236,716, respectively.
- 3) 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.

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 and deletions are promptly reported and removed from the capital asset listing.

Report of Recommendations to the Iowa Judicial Branch

June 30, 2008

Response – We now use the capital asset program available through the State’s I/3 accounting system and will maintain an up-to-date listing.

Conclusion – Response accepted.

- (C) Payroll - Departments process and record payroll and personnel information on the Human Resources Information System (HRIS). The Human Resources Associates utilize an online P-1 document to initiate and approve payroll actions, such as adding new employees and recording pay raises. These individuals have the ability to initiate and approve timesheets.

Recommendation – To strengthen controls, the Judicial Branch should develop and implement procedures to segregate the duties of the Human Resources Associates from the duties of payroll.

Response – All timesheets are reviewed and signed/approved by a supervisor. With a small limited number of our staff, P-1 documents can be initiated and approved by the same person. In those cases, if pay raises or new employees are involved, written approval is obtained and maintained to approve these actions. This approval is noted on the P-1 document and is reviewed by the payroll person at the Iowa Department of Administrative Services. The biweekly table of authorized positions is reviewed each pay period by someone other than the person authorized to prepare the online P-1 documents. We will review our processes to see if improvements can be made to strengthen our internal controls.

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

June 30, 2008

**Staff:**

Questions or requests for further assistance should be directed to:

Donna F. Kruger, CPA, Manager  
Melissa J. Knoll-Speer, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Brett C. Conner, Staff Auditor  
Shelley M. Klingbeil, Staff Auditor  
Daniel W. Henaman, Assistant Auditor