



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

David A. Vaudt, CPA  
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**NEWS RELEASE**

FOR RELEASE July 16, 2009

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, 2008.

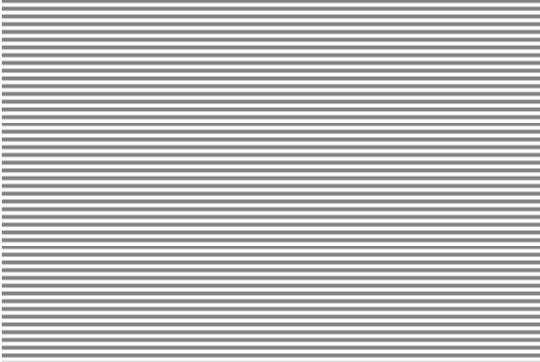
The Iowa Department of Justice, with the Attorney General as head and chief legal officer of the state, is established under the Constitution of the State of Iowa and Chapter 13 of the Code of Iowa. The Iowa Department of Justice prosecutes and defends all cases in the Supreme Court in which the state 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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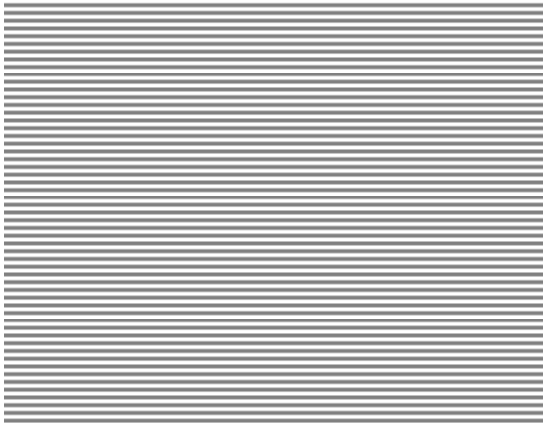
**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF JUSTICE**

**JUNE 30, 2008**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
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July 10, 2009

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, 2008.

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 and 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.

The Iowa Department of Justice's responses to the findings identified in our audit are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Justice'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 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  
Director, Department of Management  
Glen Dickinson, Director, Legislative Services Agency

**Iowa Department of Justice**

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:**

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. The following were noted:

Prosecuting Attorneys Office – Responsibilities for maintaining detailed accounts receivable records are not segregated from collections.

Office of Consumer Advocate – A reconciliation of accounts receivable is not reviewed by someone independent of recording and depositing receipts on account. In addition, an aging of receivables is not prepared and reviewed periodically for delinquent receivables.

Recommendation – 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 –

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. Together with the Prosecuting Attorneys Office, the Attorney General's Office will establish a policy to separate accounts receivable records from collections.

Office of Consumer Advocate - The Iowa Utilities Board (IUB) Accounting & Assessments unit issues all billing invoices to the utilities industry of Iowa for reimbursement of costs. The IUB A&A unit also deposits all funds received for payment of those invoices. The accountant issues the invoices (as approved by IUB managers). The accounting clerk (retired in January 2009) or the IUB analyst now acting as cashier deposits the funds with I/3. The entry of the invoices into the receivable is done by the accountant. The recording of the payments is also done by the accountant. The unit was not allowed to replace the accounting clerk when she retired because of the state hiring freeze. The IUB analyst preparing deposits is on loan from the IUB to help with cashing only as his normal job duties allow. The accounting technician with the IUB A&A unit does not have time to enter the payments. Until a new staff member is hired (if that is ever allowed in the current budget climate) there can not be the segregation of

Report of Recommendations to the Iowa Department of Justice

June 30, 2008

duties that the IUB A & A unit would also want to maintain. All invoices are numbered and accounted for in the IUB receivable journal. I/3 deposit paperwork reflect the invoice numbers and all deposits can be traced from the I/3 system to the journal to the invoices in the file. An aging report is something that the IUB A&A unit did prepare, but time is not available with current staffing levels to give that report priority. The IUB A&A staff also do all the accounting for the IUB (Iowa Utilities Board) and the IID (Iowa Insurance Division) as well as the OCA (Office of Consumer Advocate).

Conclusion – Response accepted for the Prosecuting Attorneys Office. Response acknowledged for the Office of Consumer Advocate. As recommended, to enhance controls over receipts and accounts receivable, the Office of Consumer Advocate should prepare an aging of receivables for review and provide for an independent review of the accounts receivable reconciliation.

- (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 overstated by \$225,018 and deferred revenue was understated by \$80,705.

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

Response – The final numbers for the funds due after the accrual period and revenue to be received has always been an issue. Those numbers are never known until the final remainder assessment has been reconciled. That reconciliation isn't completed until late October or early November. Estimates are billed during the fiscal year and a true up is required by Iowa Code. The GAAP report is the best guess at a point in time when all the information is not available. We do try to get it as close as possible, but some years the estimate and the final remainder just doesn't equal

Conclusion – Response accepted.



June 30, 2008

**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 working on the annual report to the General Assembly and will have it submitted by June 1, 2009.
- (2) The Attorney General’s report will be filed with the Governor by June 30, 2009. 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, 2008

**Staff:**

Questions or requests for further assistance should be directed to:

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

Other individuals who participated on the audits include:

Casey L. Johnson, Assistant Auditor  
Michael T Stevens, Assistant Auditor