



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

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NEWS RELEASE

FOR RELEASE September 18, 2009

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Auditor of State David A. Vaudt today released a combined report on the institutions under the control of the Iowa Department of Corrections. The report includes findings and recommendations and average cost per inmate information for the five years ended June 30, 2008.

The average cost per inmate at the nine institutions under the control of the Iowa Department of Corrections ranged from \$20,545 at the North Central Correctional Facility - Rockwell City to \$52,134 at the Iowa Medical and Classification Center in Oakdale for the year ended June 30, 2008. General fund expenditures for the nine institutions totaled approximately \$269 million for the year ended June 30, 2008, an increase of approximately \$27.7 million, or 11.46%, over the year ended June 30, 2007. General Fund expenditures have increased 31.96% during the five year period ended June 30, 2008. The average daily cost per inmate of \$84.09 for the year ended June 30, 2008 was 28.68% greater than the average daily cost per inmate of \$65.35 for the year ended June 30, 2004. The average number of inmates increased 2.55% over the five year period, from 8,547 for the year ended June 30, 2004 to 8,765 for the year ended June 30, 2008.

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/index.html>.

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**COMBINED REPORT ON THE INSTITUTIONS UNDER THE
CONTROL OF THE IOWA DEPARTMENT OF CORRECTIONS
SCHEDULES
FINDINGS AND RECOMMENDATIONS**

JUNE 30, 2008

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



David A. Vaudt, CPA
Auditor of State

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September 15, 2009

To the Members of the Iowa Board of Corrections:

The Institutions under the control of the Iowa Department of Corrections 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, 2008.

In conducting our audits, we became aware of certain aspects concerning the various Institutions' 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 internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with applicable Institution personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Institutions' responses, we did not audit the Institutions' responses and, accordingly, we express no opinion on them.

We have also included certain unaudited financial and other information for the Institutions under the control of the Iowa Department of Corrections for the five years ended June 30, 2008 to report an average cost per inmate at each Institution as required by Chapter 11.28 of the Code of Iowa.

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 Corrections, the Institutions under the control of the Iowa Department of Corrections, citizens of the State of Iowa and other parties to whom the Iowa Department of Corrections 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 Institutions 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 Institutions are listed on pages 29, 30, 32, 33, 35, 37, 38, 39 and 40 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
Richard Oshlo, Interim Director, Department of Management
Glen Dickinson, Director, Legislative Services Agency

Iowa Department of Corrections

Overview

Background

In accordance with Chapter 904 of the Code of Iowa, the Iowa Department of Corrections is responsible for the control, treatment and rehabilitation of offenders committed under law to the following nine institutions:

Iowa State Penitentiary - Fort Madison – A penal institution for men consisting of the Penitentiary proper, a maximum security facility, the John E. Bennett unit, a medium security dormitory, and the Montrose and Augusta units, two minimum security farm dormitories.

Anamosa State Penitentiary – A penal institution for men consisting of the reformatory proper, a medium security facility, and Luster Heights, a minimum security facility. A primary objective is to release individuals who have learned to cope with their problems and live within the rules of society.

Iowa Medical and Classification Center - Oakdale – A forensic psychiatric hospital for persons displaying evidence of mental illness or psychosocial disorders and requiring diagnostic services or treatment in a security setting, a security unit for persons requiring confinement in a security setting and a classification unit for the reception, orientation and classification of inmates before placement in the most appropriate correctional institution according to necessary security and custody arrangement and the assessed service needs of the inmates.

Mount Pleasant Correctional Facility – A medium security facility for men and women, primarily for treatment of inmates who exhibit treatable personality disorders, with or without accompanying history of drug or alcohol abuse. The Institution emphasizes a treatment program directed toward developing the inmate's social skills to aid in his/her return to community life.

Clarinda Correctional Facility – A medium security facility primarily for chemically dependent, mentally retarded and socially inadequate offenders.

North Central Correctional Facility - Rockwell City – A minimum security facility for men.

Iowa Correctional Institution for Women - Mitchellville – A minimum security correctional institution for women providing care, custody and rehabilitative services.

Newton Correctional Facility – A minimum security release center utilized for the preparation of inmates of the correctional institutions for discharge, work release or parole. The Institution provides inmates with actual practice in functioning within society and with feedback regarding their performance.

Fort Dodge Correctional Facility – A medium security prison designed to house 1,150 adult male offenders in a double occupancy celled environment. The Facility specializes in assisting inmates making the transition to civilian living.

Iowa Department of Corrections

Overview

Scope

We have calculated an average cost per inmate at each Institution for the five years ended June 30, 2008, based on their general fund expenditures. Certain reclassifications and changes have been made to these expenditures to provide comparable averages between Institutions. Therefore, expenditure amounts and cost per inmate averages may differ from those used for statewide financial statement purposes. These reclassifications and changes are as follows:

- (1) Operating transfers, primarily reimbursements to other state agencies for services, have been reclassified as expenditures for purposes of this report.
- (2) At the inception of a capital lease, total principal payments are recorded as expenditures and as other financing sources for statewide purposes. For purposes of this report, we have included only the current year principal and interest payments as expenditures.
- (3) Canteen operations have been excluded from General Fund expenditures since the canteen is a self-supporting operation at each Institution.
- (4) Non-cash assistance, consisting of USDA commodities, has been excluded from General Fund expenditures.

For these Institutions, expenditures do not include the cost of improvements and additions to buildings financed by certificates of participation.

Summary Observation

The average cost per inmate ranged from \$20,545 at the North Central Correctional Facility - Rockwell City to \$52,134 at the Iowa Medical and Classification Center - Oakdale for fiscal year 2008. The average cost per inmate has generally remained constant or increased over the past five years at each Institution.

During fiscal year 2007, the Iowa Department of Corrections completed construction of a Special Needs Unit at the Iowa Medical and Classification Center - Oakdale (IMCC). The facility includes a Health Services Clinic for outpatient services, in addition to housing for medical treatment and inmates with mental health and behavioral problems. The Special Needs Unit can house up to 178 inmates. IMCC began staffing the Special Needs Unit in April 2007. The inmates in the Special Needs Units require multiple services and specialists. The total number of employees increased from 322 at March 2007 to 551 at June 2008. The increase in the average cost per inmate for fiscal year 2008 was due, in part, to the increased staffing.

While total General Fund expenditures increased 31.96%, from \$203,863,034 for fiscal year 2004 to \$269,012,010 for fiscal year 2008, the average number of inmates has increased 2.55%, from 8,547 to 8,765, and the average daily cost per inmate has increased 28.68%, from \$65.35 to \$84.09, over the same period.

Iowa Department of Corrections

Schedules

Institutions Under the Control of the Iowa Department of Corrections

Average Cost Per Inmate by Institution
(Unaudited)

For the Last Five Fiscal Years

	Year ended June 30, 2004			
	Average Number of Inmates	Average Number of Employees	Average Cost per Inmate	Average Daily Cost per Inmate
Iowa State Penitentiary - Fort Madison	1,056	555	\$ 37,664	103.19
Anamosa State Penitentiary	1,311	363	20,367	55.80
Iowa Medical and Classification Center - Oakdale	762	322	31,285	85.71
Mount Pleasant Correctional Facility	1,083	302	20,673	56.64
Clarinda Correctional Facility	844	276	24,055	65.90
North Central Correctional Facility- Rockwell City	484	106	16,626	45.55
Iowa Correctional Institution for Women - Mitchellville	578	194	24,029	65.83
Newton Correctional Facility	1,188	338	20,274	55.54
Fort Dodge Correctional Facility	1,241	367	20,866	57.17
Total	8,547	2,823	\$ 23,852	65.35

Year ended June 30, 2005				Year ended June 30, 2006			
Average Number of Inmates	Average Number of Employees	Average Cost per Inmate	Average Daily Cost per Inmate	Average Number of Inmates	Average Number of Employees	Average Cost per Inmate	Average Daily Cost per Inmate
998	529	\$ 39,727	108.84	1,005	520	\$ 43,123	118.15
1,319	354	20,724	56.78	1,325	351	22,008	60.30
813	295	29,556	80.97	840	297	31,620	86.63
1,045	280	21,704	59.46	1,056	297	23,269	63.75
918	292	24,530	67.21	1,022	308	24,033	65.84
487	102	16,848	46.16	488	108	18,464	50.59
599	183	23,665	64.84	623	192	24,753	67.82
1,140	322	21,617	59.22	1,194	322	22,041	60.39
1,228	360	21,154	57.96	1,165	352	23,841	65.32
8,547	2,717	\$ 24,478	67.06	8,718	2,747	\$ 26,006	71.25

Institutions Under the Control of the Iowa Department of Corrections

Average Cost Per Inmate by Institution
(Unaudited)

For the Last Five Fiscal Years

	Year ended June 30, 2007			
	Average Number of Inmates	Average Number of Employees	Average Cost per Inmate	Average Daily Cost per Inmate
Iowa State Penitentiary - Fort Madison	1,062	531	\$ 42,729	117.06
Anamosa State Penitentiary	1,345	347	22,553	61.79
Iowa Medical and Classification Center - Oakdale	836	346	38,039	104.22
Mount Pleasant Correctional Facility	1,054	294	25,071	68.69
Clarinda Correctional Facility	1,066	303	24,190	66.27
North Central Correctional Facility- Rockwell City	496	112	19,110	52.36
Iowa Correctional Institution for Women - Mitchellville	609	201	26,237	71.88
Newton Correctional Facility	1,190	328	23,169	63.48
Fort Dodge Correctional Facility	1,105	349	25,876	70.89
Total	8,763	2,811	\$ 27,541	75.46

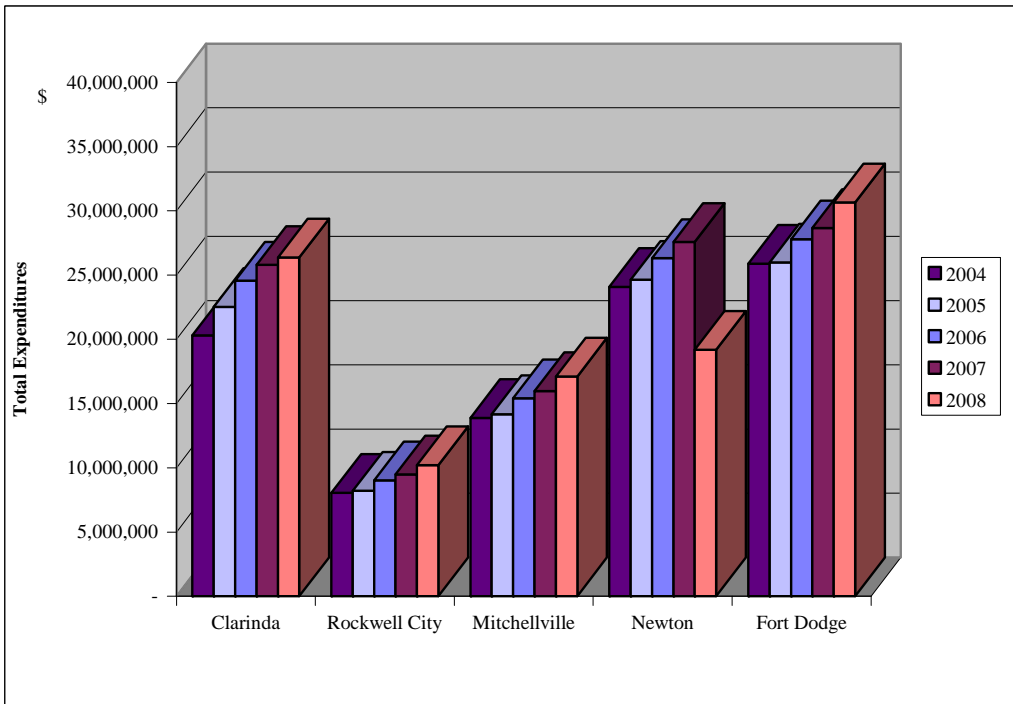
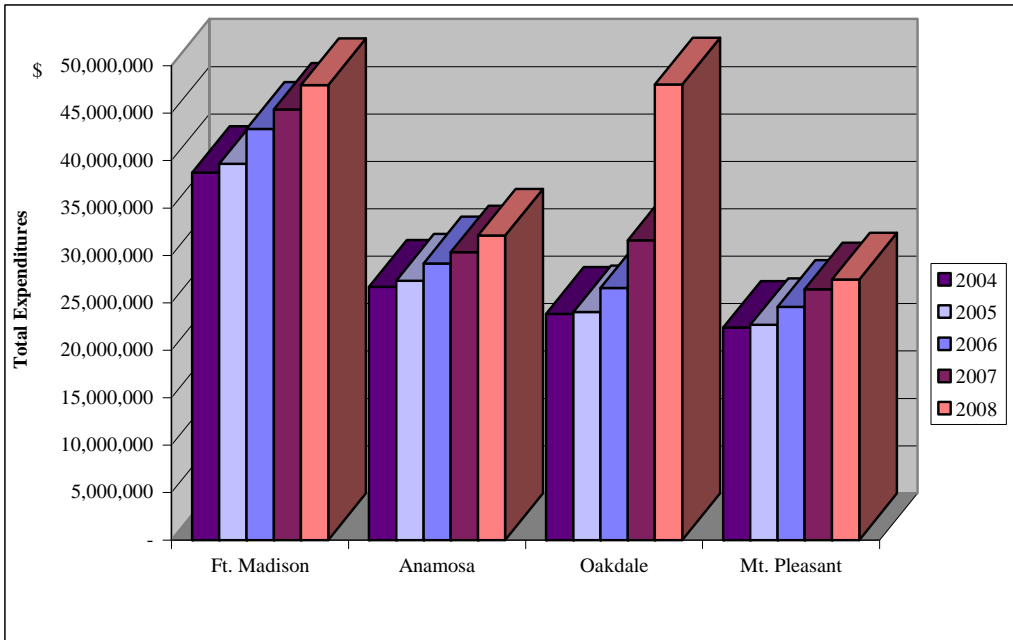
Year ended June 30, 2008				
Average Number of Inmates	Average Number of Employees	Average Cost per Inmate		Average Daily Cost per Inmate
1,103	529	\$ 43,482		119.13
1,326	345	24,203		66.31
921	551	52,134		142.83
1,041	295	26,393		72.31
1,014	292	25,973		71.16
496	114	20,545		56.29
597	192	28,640		78.47
1,158	335	25,203		69.05
1,109	347	27,644		75.74
8,765	3,000	\$ 30,692		84.09

Iowa Department of Corrections

Institutions Under the Control of the Iowa Department of Corrections

Average Cost Per Inmate Information by Institution
 Total Expenditures
 (Unaudited)

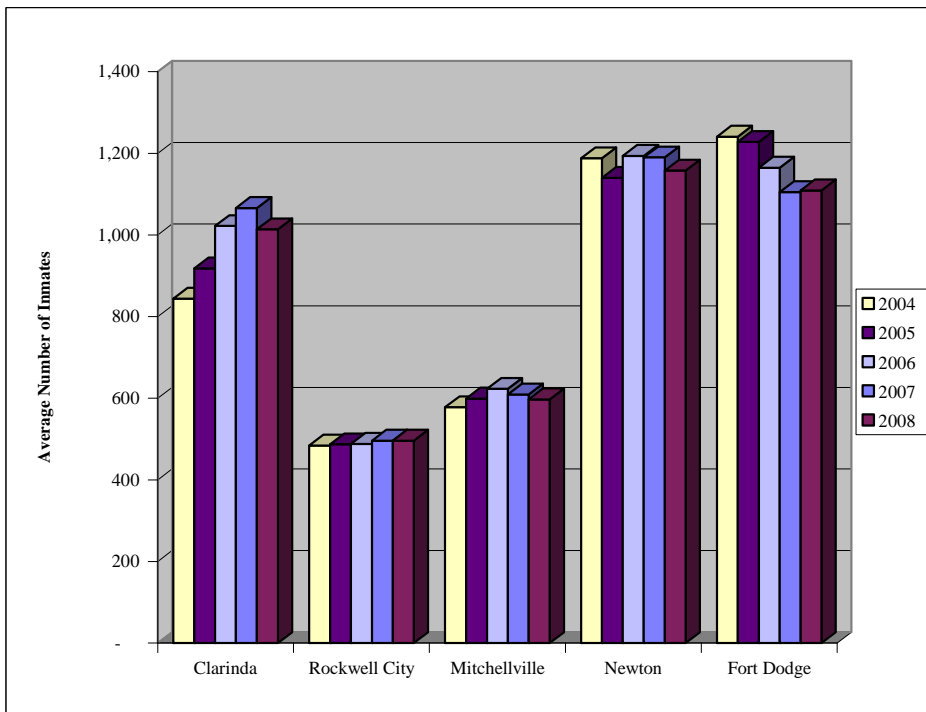
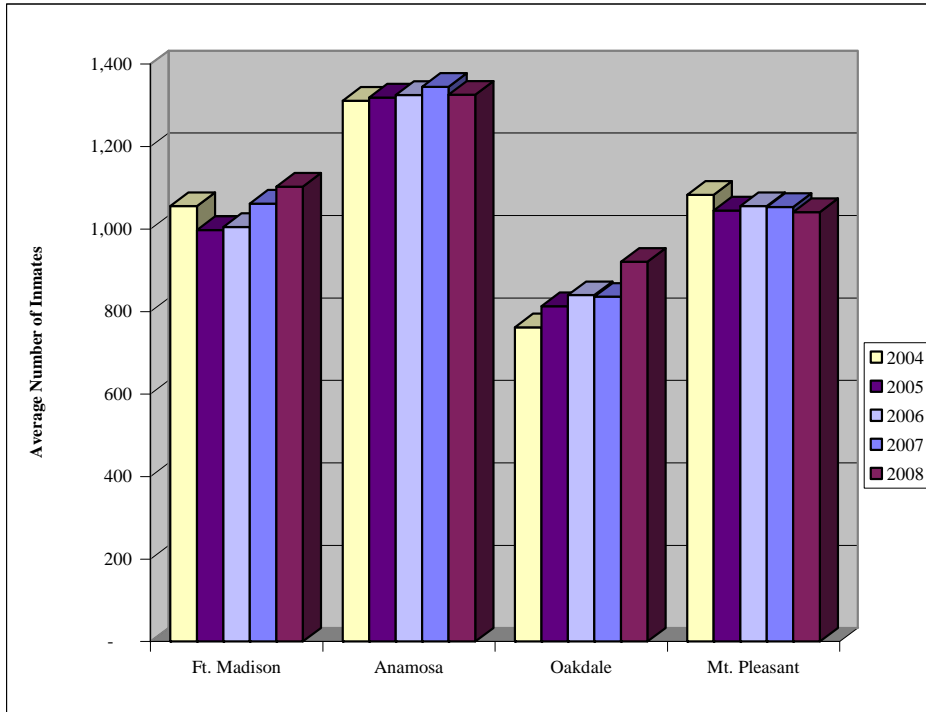
For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Corrections

Average Cost Per Inmate Information by Institution
Average Number of Inmates
(Unaudited)

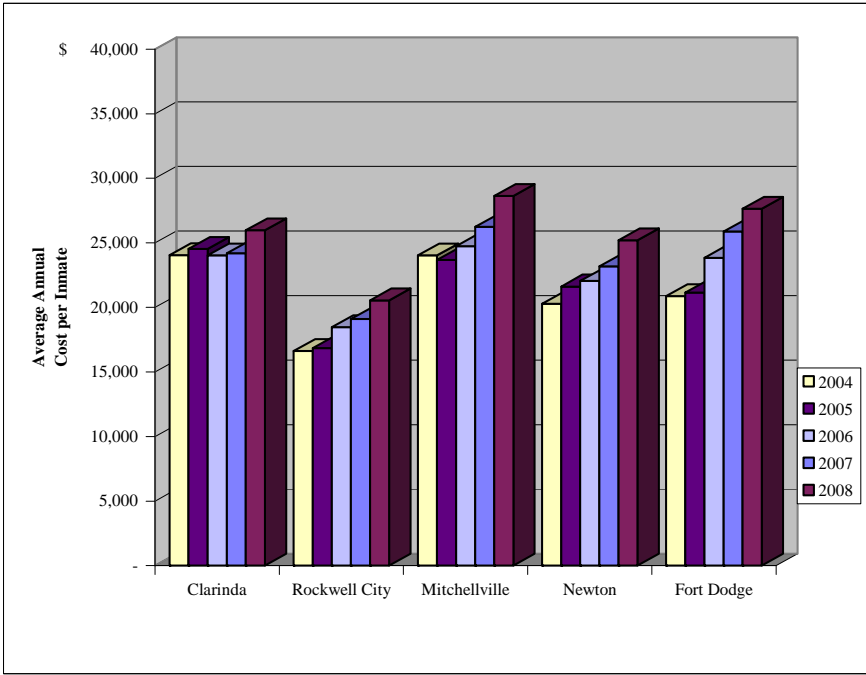
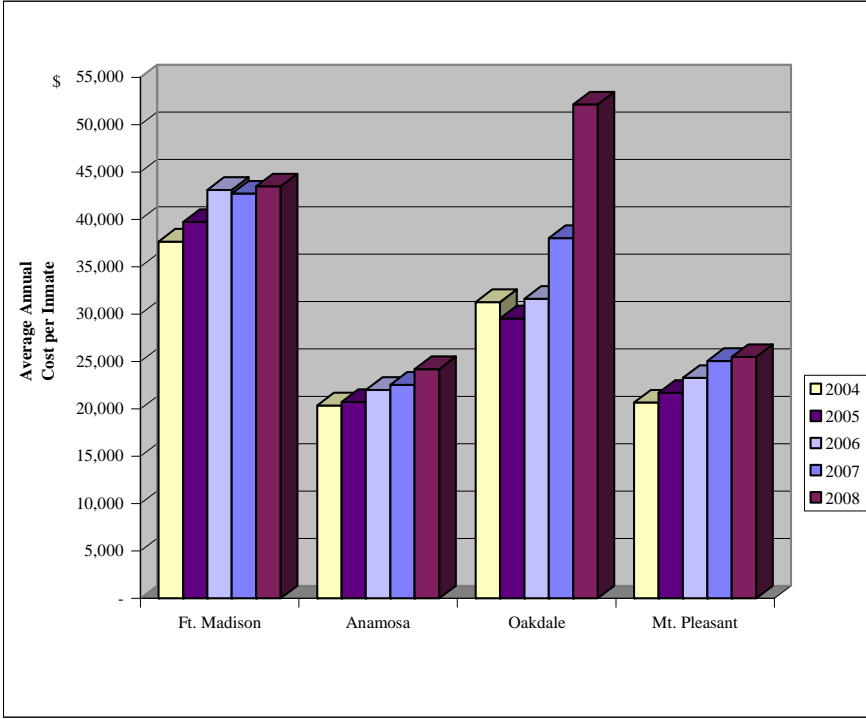
For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Corrections

Average Cost Per Inmate Information by Institution
 Average Annual Cost per Inmate
 (Unaudited)

For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Corrections

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2004

	Iowa State Penitentiary - Fort Madison	Anamosa State Penitentiary	Iowa Medical and Classification Center - Oakdale	Mount Pleasant Correctional Facility
Personal services	\$ 32,509,487	21,808,107	19,500,778	18,100,803
Travel	90,445	47,104	116,095	75,236
Supplies and materials	3,090,665	2,756,521	2,154,399	2,431,842
Contractual services	2,155,293	1,508,297	1,737,208	1,263,857
Capital outlay	306,861	119,586	132,469	95,720
Claims and miscellaneous	560,087	461,036	197,891	421,434
Licenses, permits and refunds	4,059	-	-	-
Total	\$ 38,716,897	26,700,651	23,838,840	22,388,892

	Iowa				
Clarinda Correctional Facility	North Central Correctional Facility Rockwell City	Correctional Institution for Women - Mitchellville	Newton Correctional Facility	Fort Dodge Correctional Facility	Total
15,520,112	6,169,374	11,178,936	19,193,618	20,481,253	164,462,468
129,006	42,301	129,953	96,415	37,270	763,825
2,338,590	775,950	1,247,033	2,505,179	2,542,797	19,842,976
1,662,216	628,513	1,009,344	1,720,194	2,252,252	13,937,174
242,589	280,627	118,319	172,183	253,176	1,721,530
408,710	150,415	205,124	397,422	324,112	3,126,231
888	-	-	345	3,538	8,830
20,302,111	8,047,180	13,888,709	24,085,356	25,894,398	203,863,034

Institutions Under the Control of the Iowa Department of Corrections

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2005

	Iowa State Penitentiary - Fort Madison	Anamosa State Penitentiary	Iowa Medical and Classification Center - Oakdale	Mount Pleasant Correctional Facility
Personal services	\$ 32,952,833	22,141,657	19,032,391	18,425,339
Travel	187,420	68,220	159,439	220,314
Supplies and materials	3,185,930	2,813,891	2,474,854	2,198,440
Contractual services	2,512,872	1,619,558	1,785,608	1,329,761
Capital outlay	270,054	251,035	409,351	78,889
Claims and miscellaneous	534,803	440,816	167,274	428,453
Licenses, permits and refunds	3,967	-	-	-
Total	<u>\$ 39,647,879</u>	<u>27,335,177</u>	<u>24,028,917</u>	<u>22,681,196</u>

Clarinda Correctional Facility	Iowa				Total
	North Central Correctional Facility - Rockwell City	Correctional Institution for Women - Mitchellville	Newton Correctional Facility	Fort Dodge Correctional Facility	
17,115,309	6,300,961	11,095,638	19,357,649	21,241,745	167,663,522
155,372	52,040	30,807	217,403	84,909	1,175,924
2,898,245	959,782	1,523,878	2,473,872	2,560,676	21,089,568
1,867,609	609,169	1,041,502	1,701,004	1,695,702	14,162,785
84,661	58,972	256,195	534,717	65,707	2,009,581
396,818	223,890	227,250	358,168	326,963	3,104,435
864	-	-	330	1,484	6,645
22,518,878	8,204,814	14,175,270	24,643,143	25,977,186	209,212,460

Institutions Under the Control of the Iowa Department of Corrections

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2006

	Iowa State Penitentiary - Fort Madison	Anamosa State Penitentiary	Iowa Medical and Classification Center - Oakdale	Mount Pleasant Correctional Facility
Personal services	\$ 34,739,150	23,200,862	21,491,496	19,831,740
Travel	253,391	91,660	154,963	127,134
Supplies and materials	3,667,142	2,841,381	2,490,531	2,518,363
Contractual services	3,587,948	2,388,316	2,132,765	1,472,523
Capital outlay	592,189	183,890	114,159	163,578
Claims and miscellaneous	494,700	454,979	176,693	459,240
Licenses, permits and refunds	4,075	-	-	-
Total	\$ 43,338,595	29,161,088	26,560,607	24,572,578

	Iowa					
Clarinda Correctional Facility	North Central Correctional Facility - Rockwell City	Correctional Institution for Women - Mitchellville	Newton Correctional Facility	Fort Dodge Correctional Facility		Total
19,379,005	6,720,136	11,983,384	20,769,392	22,158,465		180,273,630
53,125	161,263	62,847	144,278	190,803		1,239,464
3,007,450	975,390	1,618,943	2,791,186	2,791,945		22,702,331
1,526,129	842,249	1,246,732	2,189,588	2,120,139		17,506,389
89,163	96,781	263,608	70,235	184,670		1,758,273
506,019	214,517	245,749	351,486	324,460		3,227,843
869	-	-	330	3,737		9,011
24,561,760	9,010,336	15,421,263	26,316,495	27,774,219		226,716,941

Institutions Under the Control of the Iowa Department of Corrections

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2007

	Iowa State Penitentiary - Fort Madison	Anamosa State Penitentiary	Iowa Medical and Classification Center - Oakdale	Mount Pleasant Correctional Facility
Personal services	\$ 36,761,422	23,866,475	24,629,799	21,082,706
Travel	92,230	11,841	145,185	173,414
Supplies and materials	4,292,726	3,208,806	3,853,563	2,690,854
Contractual services	3,296,611	2,402,452	1,041,670	1,846,346
Capital outlay	471,560	385,999	1,845,943	171,194
Claims and miscellaneous	460,496	457,889	178,616	459,823
Licenses, permits and refunds	2,795	-	106,034	-
Total	<u>\$ 45,377,840</u>	<u>30,333,462</u>	<u>31,800,810</u>	<u>26,424,337</u>

	Iowa				
Clarinda Correctional Facility	North Central Correctional Facility - Rockwell City	Correctional Institution for Women - Mitchellville	Newton Correctional Facility	Fort Dodge Correctional Facility	Total
19,784,958	7,193,489	12,681,698	21,769,193	23,194,992	190,964,732
197,845	79,325	19,268	182,498	141,596	1,043,202
3,343,916	923,108	1,454,148	2,730,888	2,726,264	25,224,273
1,779,940	893,328	1,406,248	2,329,554	1,898,128	16,894,277
145,907	182,575	166,035	219,860	283,533	3,872,606
531,827	206,903	250,828	338,279	346,118	3,230,779
2,651	-	-	440	2,241	114,161
25,787,044	9,478,728	15,978,225	27,570,712	28,592,872	241,344,030

Institutions Under the Control of the Iowa Department of Corrections

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2008

	Iowa State Penitentiary - Fort Madison	Anamosa State Penitentiary	Iowa Medical and Classification Center - Oakdale	Mount Pleasant Correctional Facility
Personal services	\$ 38,273,590	24,956,494	36,430,808	22,168,962
Travel	326,942	27,656	134,863	115,069
Supplies and materials	4,847,180	3,803,623	4,014,364	2,846,083
Contractual services	3,564,029	2,377,489	5,874,309	1,793,895
Capital outlay	282,669	445,443	1,347,679	125,859
Claims and miscellaneous	664,793	479,501	213,645	425,373
Licenses, permits and refunds	1,325	3,085	-	-
Total	<u>\$ 47,960,528</u>	<u>32,093,291</u>	<u>48,015,668</u>	<u>27,475,241</u>

	Iowa				
Clarinda Correctional Facility	North Central Correctional Facility - Rockwell City	Correctional Institution for Women - Mitchellville	Newton Correctional Facility	Fort Dodge Correctional Facility	Total
20,633,360	7,777,163	13,353,590	22,881,318	24,642,168	211,117,453
85,972	88,138	94,456	139,901	122,657	1,135,654
3,306,440	1,125,489	1,858,578	3,203,892	3,229,659	28,235,308
1,657,547	827,193	1,265,840	2,402,864	1,950,291	21,713,457
135,596	151,898	291,524	260,163	310,822	3,351,653
516,104	220,379	234,189	296,893	399,651	3,450,528
1,245	-	-	330	1,972	7,957
26,336,264	10,190,260	17,098,177	29,185,361	30,657,220	269,012,010

Institutions Under the Control of the Iowa Department of Corrections

Inmate Population Statistics
(Unaudited)

Year ended June 30, 2008

	Iowa State Penitentiary - Fort Madison	Anamosa State Penitentiary	Iowa Medical and Classification Center - Oakdale	Mount Pleasant Correctional Facility
Population beginning of year	1,135	1,336	832	1,067
Admissions:				
Admissions and transfers in	610	737	5,462	775
Released:				
Transfers out	173	615	4,879	-
Paroles	166	8	18	15
Work release	95	1	11	147
Parole/discharges	15	-	32	135
Expiration of sentence	175	54	194	265
Shock probation	5	40	23	18
Return to probation	-	-	-	-
Transfers out to OWI facility	17	-	110	1
Transfers out to MHI	-	-	6	230
Escapes	-	-	-	-
Release by Court Order	2	-	5	3
Iowa compact transfers out	1	3	2	1
Compact prisoners from other states out	2	-	-	-
Appeal bond	1	-	13	2
Deaths	8	-	5	1
Total released	660	721	5,298	818
Population end of year	1,085	1,352	996	1,024
Average number of inmates	1,103	1,326	921	1,041

	Iowa				
Clarinda Correctional Facility	North Central Correctional Facility - Rockwell City	Correctional Institution for Women - Mitchellville	Newton Correctional Facility	Fort Dodge Correctional Facility	
1,212	493	608	1,173	1,081	
1,127	523	646	2,138	1,021	
627	72	117	905	257	
189	184	238	217	248	
207	156	190	321	133	
32	29	32	11	148	
-	60	76	477	160	
13	-	29	155	41	
-	-	-	-	-	
1	18	-	41	1	
-	-	-	9	-	
-	-	-	-	-	
173	-	-	3	1	
-	-	4	12	-	
-	-	4	-	12	
-	-	-	-	-	
-	1	-	2	-	
1,242	520	690	2,153	1,001	
1,097	496	564	1,158	1,101	
1,014	496	597	1,158	1,109	

June 30, 2008

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (1) Segregation of Duties – 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 of those of another. The following incompatible duties were noted:
 - A) Bank Reconciliations – Bank reconciliations are not reviewed by a person independent of recording transactions.
 - B) Phone Account – Iowa State Penitentiary (ISP) receives money orders and cashier checks for deposit into the Inmate Telephone Account Fund through a PO Box at the Fort Madison Post Office. The individual who picks up the mail from the PO Box also deposits the monies into the Lee County Bank and Trust and posts the deposits into the inmate telephone system. Additionally, two undeposited checks were found during testing of the telephone receipts. The checks were subsequently deposited.

Recommendation – The ISP should review its operating procedures to obtain the maximum internal control possible under the circumstances. ISP should utilize current personnel to provide additional control through an independent review of bank statements. In addition, ISP should implement a process which involves an individual independent of the deposit and posting process to pick up the money orders and cashier's checks from the P.O. Box. This individual should also generate a tape of all money orders and cashier's checks which is reviewed for accuracy and completeness against the daily deposit.

Response – Steps have been taken to ensure bank reconciliations are reviewed by a person independent of recording transactions. Also, steps have been taken to segregate duties related to telephone account receipts. The receipts posted to the telephone account and deposits will be performed by another person.

Conclusion – Response accepted.

- (2) Record Keeping – ISP receives money orders and cashier checks for deposit into the Inmate Telephone Account Fund. These are supported by pre-paid telephone service sheets submitted by the inmates' family members which designate the authorized phone numbers for which the inmate may use the money. In 12 of 20 instances, the pre-paid telephone service forms could not be located to support deposits into the inmate's accounts.

Recommendation – ISP should implement a process which requires the pre-paid telephone service forms to be filed in date order and the date should be included on each form.

Response – A process has been implemented for filing pre-paid telephone service forms. All forms will be filed by date with a cover sheet noting the date posted to the telephone account.

Conclusion – Response accepted.

Findings and Recommendations for Iowa State Penitentiary - Fort Madison

June 30, 2008

- (3) Expenditure Coding – Proper coding of expenditures ensure financial statements are correct and accurately represent ISP. One fiscal year 2007 expenditure of \$45,000 was coded to fiscal year 2008. This resulted in an overstatement of 2008 expenditures and an understatement of 2007 expenditures.

Recommendation – ISP should ensure expenditures are coded to the proper fiscal year.

Response – Internal procedures have been established to ensure expenditures are coded to the proper fiscal year.

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
Adam D. Steffensmeier, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Casey L. Johnson, Assistant Auditor
Scott G. Anderson, Assistant Auditor

June 30, 2008

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (1) Bank Reconciliations – Monthly bank reconciliations are prepared by Anamosa State Penitentiary (ASP) staff. However, the bank reconciliations listed a check as outstanding which had not yet been written as of the ending date of the bank statement. Additionally, the reconciliation contained items listed as deposits in transit which had not been received by the end of the following month.

Recommendation – ASP should develop procedures for bank reconciliations which only include activity for the month being reconciled.

Response – The check listed as outstanding was not actually outstanding at the time of reconciliation. It was the value of deposits made into the account but not yet remitted to the State Treasurer's Office by check. Our practice will be changed so that we always remit at the end of the month. In doing so, there will be no deposits into the account that have not been remitted and thus no need to list the check as outstanding.

Conclusion – Response accepted.

- (2) Credit Card Controls – ASP has credit cards located in the business office for use by employees as needed. ASP's previous policy required employees to sign out and sign in credit cards. However, this policy was discontinued. No new tracking method was implemented to replace the discontinued policy.

Recommendation – ASP should develop policies for better control over credit card usage.

Response – ASP will change procedures to allow for better tracking of credit cards. We could allow all employees to carry their own procurement cards as is allowed per state policy. However, we will likely create a formal method of tracking when a card has not been turned in on the same day it was checked out.

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:

Pamela J. Bormann, CPA, Manager
Shawn R. Elsbury, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Alison P. Baker, Assistant Auditor
Kurt Goldsmith, Assistant Auditor

June 30, 2008

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (1) Canteen Pop Tokens – Iowa Medical and Classification Center – Oakdale (Center) sells tokens to inmates and employees to be used to purchase pop. The Center does not have a system in place to account for or safeguard the tokens on hand to ensure the tokens issued are in agreement with inmate canteen orders and employee sales.

Recommendation – The Center should implement a system to account for the total number of tokens on hand to ensure the tokens are properly safeguarded and to determine tokens issued are in agreement with inmate canteen orders and employee sales.

Response – The Iowa Department of Corrections is instituting a new DEBITEK procedures which will eliminate tokens. This program will allow offenders to credit to their offender ID which will have a chip in it which will allow them to purchase items. This will take place in fiscal year 2010.

Conclusion – Response accepted.

- (2) Bank Reconciliations – Bank account reconciliations were not consistently prepared and reviewed in a timely manner for all accounts, resulting in the delayed resolution of variances.

Recommendation – To improve financial accountability and control, bank reconciliations should be prepared and reviewed for all bank accounts timely. Any variances should be investigated and resolved in a timely manner.

Response – Reconciliations will be prepared within seven working days of receipt of bank statements. Currently this is an Accounting Clerk's responsibility. The reconciliations will be reviewed and monitored by the Assistant Business Manager to ensure this is done.

Conclusion – Response accepted.

- (3) Expenditures – Certain expenditures were identified where the Center paid the incorrect vendor, paid an incorrect amount or paid the expenditure from an incorrect fund. Although these errors were corrected during the year, these errors were not discovered by Center personnel during their review process.

Recommendation – The Center should evaluate its internal control process for reviewing and approving expenditures to ensure expenditures are adequately reviewed for appropriateness and mathematical accuracy prior to approval.

Response – Timely review of expenditures prior to approval will occur and the Assistant Business Manager and Business Manager shall ensure all expenditures are sent to the proper vendor.

Conclusion – Response accepted.

Findings and Recommendations for Iowa Medical and Classification Center - Oakdale

June 30, 2008

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager
Carrie L. Livingston, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Jacqueline E. Gulick, Assistant Auditor
Kristin M. Ockenfels, Assistant Auditor

June 30, 2008

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
Carrie L. Livingston, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Paula J. Smothers, Staff Auditor
Gabriel M. Stafford, CPA, Assistant Auditor
Jacqueline E. Gulick, Assistant Auditor
Jeana R. Muhlbauer, Assistant Auditor
Kristin M. Ockenfels, Assistant Auditor

June 30, 2008

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (1) Segregation of Duties – 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 of those of another. One or two individuals perform the duties of opening, collecting, depositing, posting and monthly reconciling for the Entertainment Fund. Initial listing of mail receipts was not prepared for a portion of the year ended June 30, 2008.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Facility should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of various reviews should be indicated by initials of the independent reviewer and the date of the review. An initial listing of mail receipts should be prepared consistently throughout the year.

Response – Currently, we have one staff open the mail and hand all receipts to another staff to prepare the listing. These tasks are done on the same day and initialed that day. We have also changed procedures to list mail receipts all year rather than randomly listing receipts.

Conclusion – Response accepted.

- (2) Payroll – The Facility processes and records 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 also have the ability to initiate and approve timesheets.

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

Response – Our Human Resources Associates now will only apply one level of approval. P-1 documents will be approved by the Business Manager.

Conclusion – Response accepted.

Findings and Recommendations for Clarinda Correctional Facility

June 30, 2008

Findings Related to Statutory Requirements and Other Matters:

Revenues/Receipts – Chapter 12.10 of the Code of Iowa requires 90% of all fees, commissions and monies received be deposited within 10 days succeeding the collection. The Facility did not always deposit 90% of the monies received within 10 days succeeding the collection as required by the Code of Iowa.

Recommendation – Fees, commissions and monies received by the Facility should be deposited within 10 days succeeding the collection as required by the Code of Iowa.

Response – All fees, commissions and monies will be deposited within 10 days into the proper account until such time a determination can be made as to the correct account to credit it to or possibly return to sender.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

Deborah J. Moser, CPA, Manager
Gelu Sherpa, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Karen J. Kibbe, Senior Auditor
Melissa M. Wellhausen, CPA, Senior Auditor
Delynne M. Kroeger, Staff Auditor
Joshua B. Ludwig, Staff Auditor
Jeana R. Muhlbauer, Assistant Auditor

June 30, 2008

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:

Issues raised by the Citizen's Aide/Ombudsman – Additional procedures were performed on inmate payroll at the North Central Correctional Facility in response to specific issues brought to our attention by the Citizen's Aide/Ombudsman. The following findings were noted:

- Employment of Inmates at Cooperatives – To fill an emergency need for pulling tarps over the grain harvest at two local grain elevators, the North Central Correctional Facility (NCCF) provided inmate labor at wage rates of \$5.15 and \$6.15 per hour established by Iowa Prison Industries (IPI) in October 2004 and August 2005, respectively. The work projects at the two grain elevators continued until November 2007. Inmate work programs provided to private industry are subject to compliance with the conditions found in Chapter 904.809 of the Code of Iowa

Chapter 904.809 of the Code of Iowa allows the state director (director of the Iowa Department of Corrections, or the director's designee) to subcontract to provide inmate workforce to private industry. The subcontract is subject to conditions whereby (a) inmates are to receive allowances commensurate with those wages paid persons in similar jobs outside the correctional institution which, by Iowa Administrative Code, is the local prevailing wage as determined by the Iowa Department of Workforce Development and (b) IPI is to negotiate a price which takes into account staff supervision and equipment provided by IPI. According to Iowa Wage Surveys by the Iowa Department of Workforce Development, the lowest prevailing wage rates for the Employers' Years 2004, 2005 and 2006 for grain handlers in Webster County were \$7.43, \$7.60 and \$7.79 per hour, respectively.

For the inmate workforce employed at the local grain elevators, neither NCCF nor IPI had entered into formal agreements with the local grain elevators to establish applicable prevailing wage rates for the inmate employees and for recouping the costs of staff supervision and equipment as required by the Code of Iowa. The local prevailing wage rates were not used as a basis for the wages provided to the inmate employees under the private industry work programs at the local grain elevators.

- Deposits to State General Fund – The wages of inmates employed in work programs at a private industry are subject to the conditions outlined in Chapter 904.809 of the Code of Iowa. The conditions include specific items to be deducted from an inmate's gross payroll earnings, such as a percentage deducted for the victim's compensation fund, an amount deducted for dependent support and for court ordered restitution. From the remaining balance after deductions, the correctional institution may deduct and retain up to 50% for supervision costs. The balance remaining after deductions is to be deposited in the General Fund of the State.

Findings and Recommendations for North Central Correctional Facility – Rockwell City

June 30, 2008

For the inmate workforce employed at the local grain elevators, NCCF retained the entire balance after processing the specific deductions. This process failed to determine the remaining balance which should have been deposited in the General Fund of the State.

Recommendation – NCCF should recalculate the amounts which should have been paid for inmate wages at the local grain elevators using the applicable prevailing wage rates, provide an accounting of the amounts retained by NCCF, the costs of staff supervision, and the amount which should have been remitted to the General Fund of the State. NCCF should consult legal counsel to determine the proper disposition of this matter.

Institution Response – In our minds we had resolved the questions your audit posed. However, we do appreciate your office has taken a very objective view of the situation and we apologize for the extra efforts you have had to put forth to help us resolve this conflict.

At this point, we have engaged the Attorney General’s Office to help us work through the oversights and we will gladly provide your office with any additional information you might need.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

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

Other individuals who participated on the audits include:

Reza Sepehri, Assistant Auditor

June 30, 2008

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

GAAP Package – The Institution reports the ledger and bank account balances of all cash not held in I/3 funds in its GAAP Package. The June 30, 2008 balances for the Offender Organizations and Recreation Funds were understated by \$688 and \$1,982, respectively.

The Institution also reports the balances for capital assets on its GAAP Package. For fiscal year 2008, deletions of \$44,256 were not correctly reported in the GAAP Package. As a result, the ending balance of capital assets at June 30, 2008 was overstated by \$44,255.69.

Recommendation – The Institution should ensure the amounts reported in the GAAP Package are correct and agree with the supporting documentation.

Response – Checks and balances have been implemented to ensure the correct balances for cash not held by the Treasurer of State will be correctly reported in the GAAP Package in the future. A one-time adjustment of \$44,256 will be made this year to correct the capital asset balance.

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
Keith C. Kistenmacher, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Samantha J. Brinks, Assistant Auditor
Scott G. Anderson, Assistant Auditor

Findings and Recommendations for Newton Correctional Facility

June 30, 2008

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
Gelu Sherpa, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Michael F. Conroy, Assistant Auditor
Daryl L. Hart, Intern

Findings and Recommendations for Fort Dodge Correctional Facility

June 30, 2008

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

Payroll Records – Fort Dodge Correctional Facility (Facility) employees submit bi-weekly timesheets using an electronic time-keeping system utilizing ID cards. If an employee forgets their ID card, a “punch edit form” is to be filled out and subsequently reviewed by a supervisor. From June 2007 to December 2007, an employee of the Facility fraudulently submitted “punch edit forms” resulting in improper payroll disbursements totaling \$5,279. The fraudulent “punch edit forms” were approved inappropriately by supervisory personnel. Controls in place to prevent fraudulent payroll submissions were not operating effectively.

Recommendation – The Facility should ensure controls in place over the payroll cycle are operating effectively. The Facility should seek reimbursement for the misappropriated funds.

Response – Procedures have been strengthened and now require verification is made by the supervisor against the roster for the date the punch edit form is submitted. The roster contains information as to who was here and at what times. Legal proceedings have been initiated against the former employee.

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:

Suzanne R. Dahlstrom, CPA, Manager
Michael P. Piehl, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Daniel L. Durbin, Staff Auditor
Casey L. Johnson, Assistant Auditor
Rosemary E. Neilsen, Assistant Auditor