



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

September 22, 2011

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, 2010.

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 \$6,107,718 at the Fourth Judicial District Department to \$22,426,033 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,122,723 at the Fourth Judicial District Department to \$21,822,026 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 the report.

A copy of the report is available for review at each of the District Departments, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1175-0000-0R00.pdf>.

###

**COMBINED REPORT OF RECOMMENDATIONS TO THE
EIGHT JUDICIAL DISTRICT DEPARTMENTS OF
CORRECTIONAL SERVICES**

JUNE 30, 2010

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
Third Judicial District Department	12
Fourth Judicial District Department	13
Fifth Judicial District Department	14-15
Sixth Judicial District Department	16-17
Seventh Judicial District Department	18
Eighth Judicial District Department	19-21



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

September 20, 2011

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

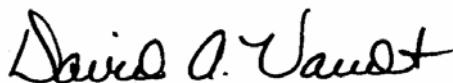
The eight individual Judicial District Departments are part of the State of Iowa and, as such, have been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2010.

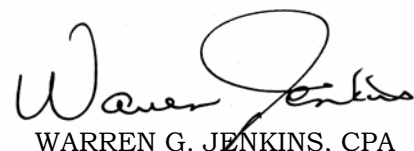
In conducting our audits, we became aware of certain aspects concerning the various District Departments' operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, 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. While we have expressed our conclusions on the District Departments' responses, we did not audit the District Departments' responses and, accordingly, we express no opinion on them.

We have also included certain unaudited financial information for the District Departments for the year ended June 30, 2010.

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, 11, 12, 13, 15, 17, 18 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 Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

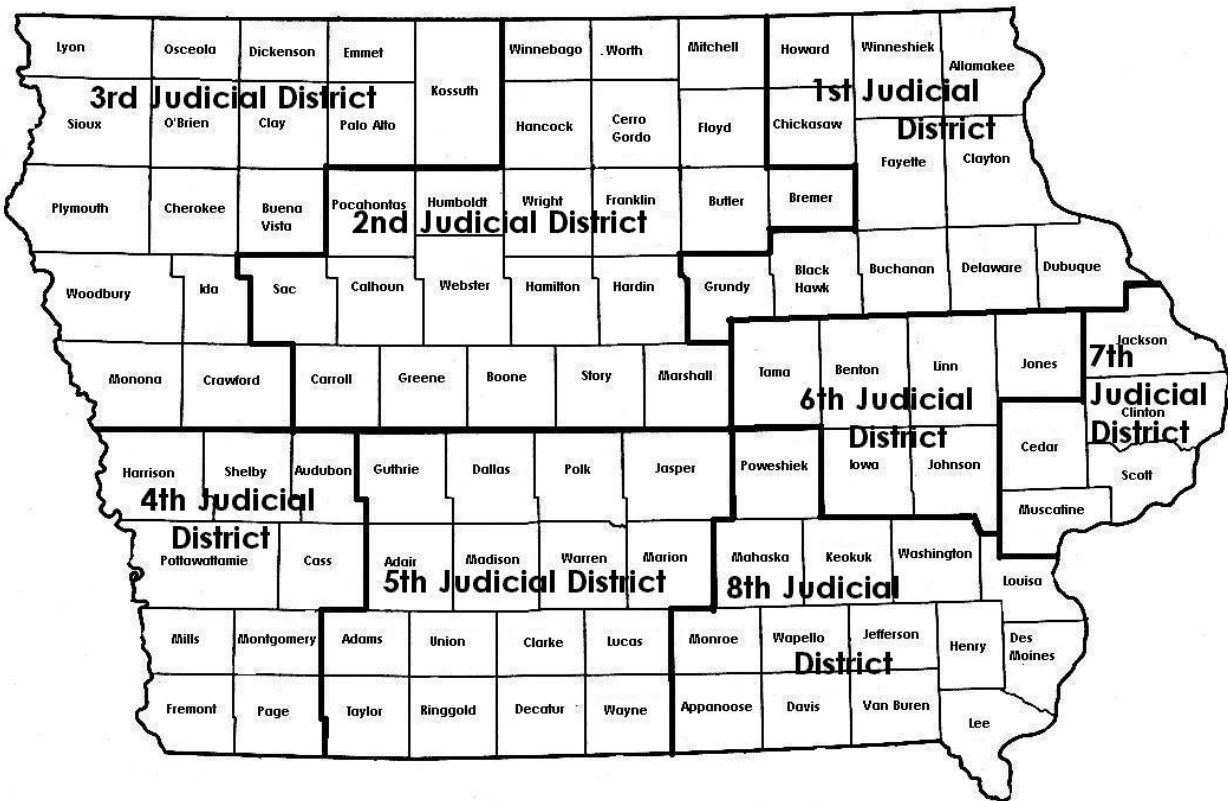
Eight Judicial District Departments of Correctional Services

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 \$6,107,718 at the Fourth Judicial District Department to \$22,426,033 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,122,723 at the Fourth Judicial District Department to \$21,822,026 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, 2010

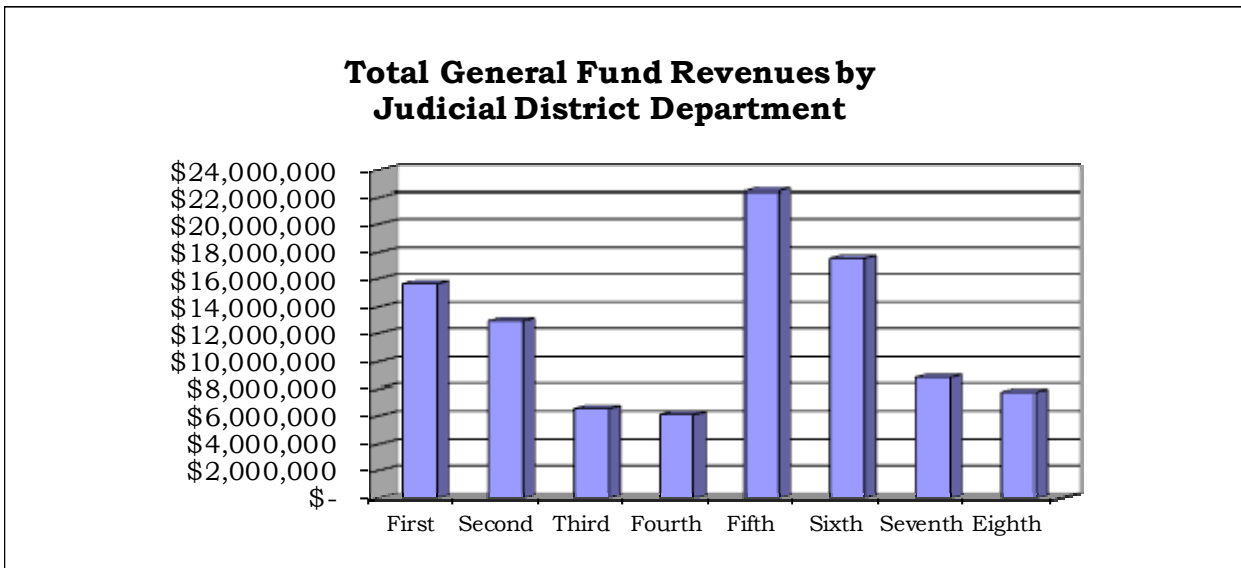
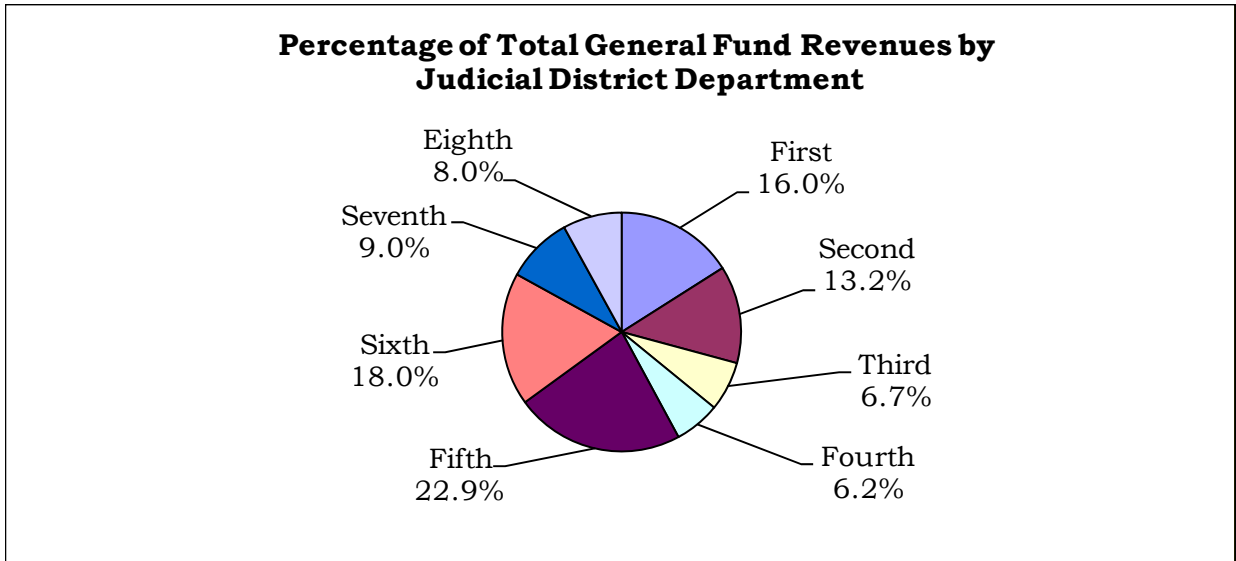
Revenues:	First	Second	Third
Net state appropriation allocation	\$ 12,066,497	10,402,731	5,763,700
Federal, state and local grants and contracts	1,460,570	1,026,927	-
Interest on investments	20,949	6,195	2,221
Fees, refunds and reimbursements	2,072,062	1,465,602	796,424
Rents and miscellaneous	-	44,921	-
Total revenues	15,620,078	12,946,376	6,562,345
Expenditures:			
Personal services	14,195,988	11,491,148	5,968,069
Travel and subsistence	50,918	134,457	51,421
Supplies	438,668	416,531	199,776
Contractual services	808,729	863,925	306,246
Equipment and repairs	50,554	57,776	16,089
Claims and miscellaneous	103,774	-	230,768
Plant improvements	-	7,877	-
Total expenditures	15,648,631	12,971,714	6,772,369
Excess (deficiency) of revenues over (under) expenditures	(28,553)	(25,338)	(210,024)
Fund balance beginning of the year	223,968	554,855	340,013
Fund balance end of the year	\$ 195,415	529,517	129,989

Judicial District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
5,585,654	18,023,311	13,240,779	6,995,774	6,650,326	78,728,772
4,500	189,384	1,974,732	289,242	40,636	4,985,991
3,135	12,561	29,434	5,074	11,954	91,523
503,833	4,166,727	2,004,239	1,520,046	1,064,605	13,593,538
10,596	34,050	305,594	-	25,441	420,602
6,107,718	22,426,033	17,554,778	8,810,136	7,792,962	97,820,426
5,477,214	18,575,846	14,406,949	7,649,369	6,690,127	84,454,710
66,258	110,682	111,220	58,531	56,163	639,650
99,806	349,762	642,638	399,748	256,115	2,803,044
457,452	2,642,284	953,507	646,348	629,588	7,308,079
8,456	73,217	734,834	23,050	131,698	1,095,674
13,537	70,235	174,334	22,437	83,113	698,198
-	-	118,677	101,220	-	227,774
6,122,723	21,822,026	17,142,159	8,900,703	7,846,804	97,227,129
(15,005)	604,007	412,619	(90,567)	(53,842)	593,297
43,776	896,270	210,807	101,830	422,884	2,794,403
28,771	1,500,277	623,426	11,263	369,042	3,387,700

Judicial District Departments

General Fund Revenues by Judicial District Department
(Unaudited)

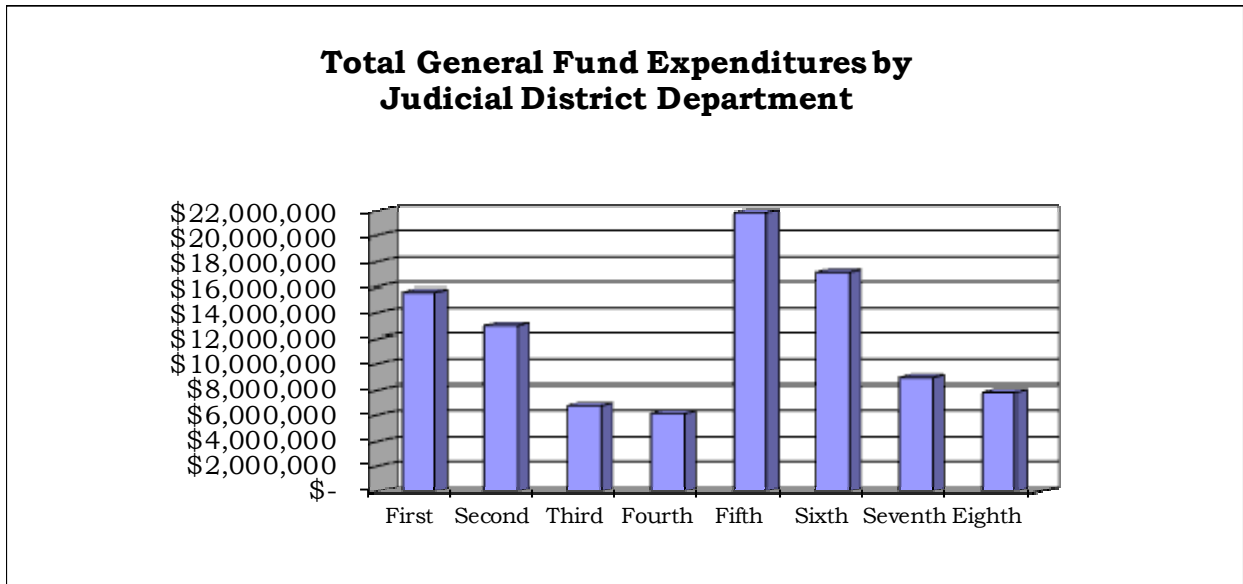
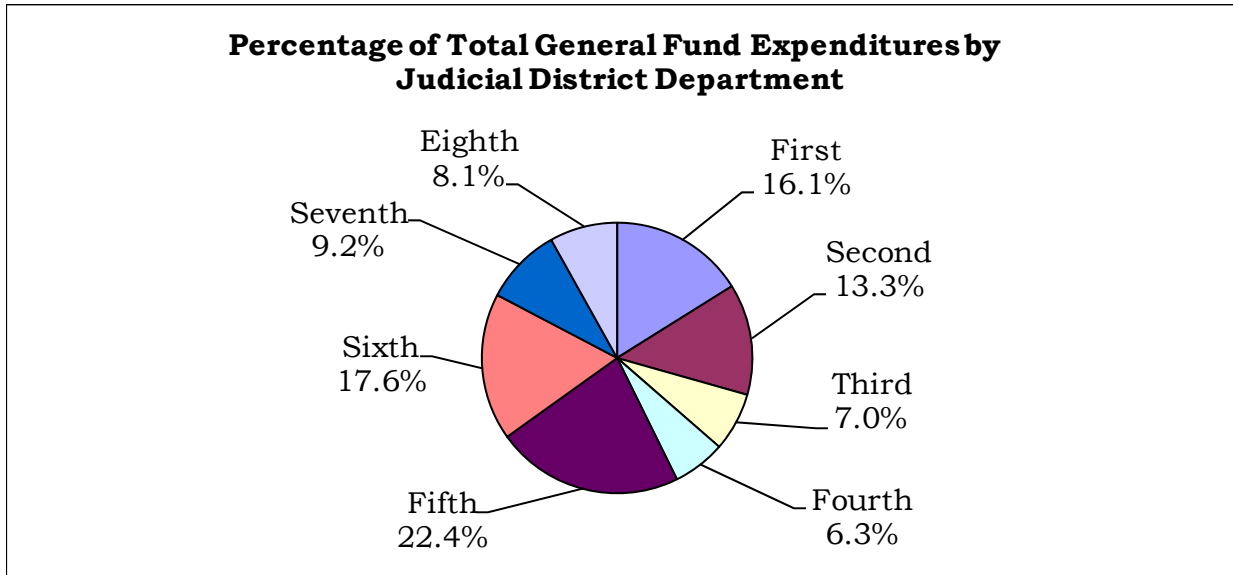
Year ended June 30, 2010



Judicial District Departments

General Fund Expenditures by Judicial District Department
(Unaudited)

Year ended June 30, 2010



Report of Recommendations to the
First Judicial District Department

June 30, 2010

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:

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:

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

Other individuals who participated in this audit include:

Rosemary E. Nielsen, Staff Auditor
Marijke J. Hodgson, Assistant Auditor

Report of Recommendations to the
Second Judicial District Department

June 30, 2010

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:

Bank Reconciliations – The residential bank account balance was not reconciled to the book balance on a monthly basis. Also, while the administrative bank account balance was reconciled to the book balance and reviewed, there is no indication the review was timely.

Recommendation – The District Department should ensure bank reconciliations are completed in a timely manner and properly reviewed.

Response – All Administrative bank account statements were reconciled and reviewed by two independent Second District individuals during FY2010, both of who signed off on the reviewed statements. This process was not always completed timely and was not dated, however. Therefore, all Administrative bank account statements will be reconciled within 30 days after the end of the monthly statement cycle, and signed and dated by the District individual completing the reconciliation process. Likewise, the reconciled Administrative bank account statement will then be reviewed in a timely manner by a second independent District individual, who will also sign and date the statement upon completion of their review.

Similarly, all Residential bank account statements will be reconciled in a timely manner, and signed and dated by the District employee completing the reconciliation process. Following the completion of the reconciliation process, the Residential bank account statement will then be reviewed by a second independent District employee, who will also sign and date the statement upon completion of their review.

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
Jenny R. Lawrence, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Leanna J. Showman, Staff Auditor
Brett A. Hoffman, Assistant Auditor

Report of Recommendations to the
Third Judicial District Department

June 30, 2010

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:

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
Daniel W. Henaman, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Chad W. Baker, Assistant Auditor

Report of Recommendations to the
Fourth Judicial District Department

June 30, 2010

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:

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
Gabriel M. Stafford, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Brooke A. Lytle, Assistant Auditor

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2010

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:

- (1) Credit Card Disbursements – Detailed supporting documentation was not always available to support credit card charges.

Recommendation – The District Department should ensure detailed supporting documentation, including credit card receipts, are retained to support credit card charges.

Response – The District Department will ensure proper supporting documentation is retained to support credit card charges.

Conclusion – Response accepted.

- (2) Agency Fund Disbursement – For 12 of 40 client account disbursements tested, proper authorization of the client's signature and the counselor's signature was not obtained.

Recommendation – The District Department should ensure all client disbursements are properly authorized with the client's and counselor's signature.

Response – The District Department will ensure that all client disbursements are properly authorized through client and counselor signatures being present on offender budget forms.

Conclusion – Response accepted.

- (3) Unrecorded Receipts and Disbursements – Certain receipts and disbursements were incorrectly recorded to fiscal year 2011. The receipts and disbursements should have been coded to fiscal year 2010 and included on the accounts receivable and accounts payable listings for fiscal year 2010.

Recommendation – The District Department should ensure receipts and disbursements are recorded to the proper fiscal year.

Response – The District Department will ensure all receipts and disbursements are recorded to the proper fiscal year.

Conclusion – Response accepted.

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2010

Finding Related to Statutory Requirements and Other Matters:

Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each state agency report and remit obligations, including checks, outstanding for more than two years to the Treasurer of State annually. Several outstanding checks greater than two years old had not been remitted to the Treasurer of State.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the Treasurer of State as required by the Code of Iowa.

Response – The District Department will review outstanding checks annually and items over two years old will be remitted to the Treasurer of State as required by the Code of Iowa.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager
Tiffany M. Ainger, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Jennifer M. Kopp, Staff Auditor
Nancy J. Umsted, Assistant Auditor

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2010

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:

- (1) Accounts Receivable – District Departments are required to submit GAAP packages each year. The District Department reported receivables for supervision fees. Reconciliations of billings, collections and delinquent accounts were not performed monthly for supervision fees.

Recommendation – The District Department should reconcile the supervision fee receivables monthly.

Response – The District Department will start the Supervision Fee and Client Rent monthly reconciliation on July 1, 2011.

Conclusion – Response accepted.

- (2) Documentation of Reviews Performed – Independent review of the bank reconciliation is performed. However, documented evidence of the review is not retained.

Recommendation – Written evidence of the review of bank reconciliations should be retained.

Response – An independent review of bank reconciliations will be performed and documented.

Conclusion – Response accepted.

- (3) 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 the client disbursement area. The accountant for the residential bank 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 check register and client request form before checks are disbursed.

Recommendation – To strengthen controls over residential client disbursements, if the same person prepares claims and prepares and signs checks, an independent person should document review of the claims and should compare the checks to the claim request form and check register before the checks are disbursed.

Response – The District Department currently reviews claims and compares checks to claims before the checks are disbursed.

Conclusion – Response accepted.

- (4) 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. The residential account was understated by \$10,560 at June 30, 2010.

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2010

Recommendation – The District Department should ensure adjustments/reconciling items noted on the monthly bank reconciliations are posted to the general ledger in a timely manner.

To provide better control over the financial transactions and overall accountability the District Department should investigate the reason the residential bank account does not balance.

Response – The District Department will post reconciliation adjustments in a timely manner and investigate discrepancies.

Conclusion – Response accepted.

- (5) Grant Reimbursements – The District Department’s request for reimbursement of grant funding did not always reconcile to supporting documentation. In two instances, the support for the request for reimbursement included a previously submitted invoice.

Recommendation – The District Department should develop a review process which will ensure the request for reimbursement is appropriate and agrees to supporting documentation. In addition, the District Department should consult with the grantor to determine corrective action.

Response – The District Department will develop a review process. Additionally, subsequent draws from the granting agency will be adjusted to correct the over reimbursement.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each state agency report and remit obligations, including checks, outstanding for more than two years to the Treasurer of State annually.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the Treasurer of State as required by Code of Iowa.

Response – The District Department will ensure outstanding checks to client older than two years will be transmitted to Treasurer of State using Great Iowa Treasure Hunt.

Conclusion – Response accepted.

Staff:

Questions or requests for further assistance should be directed to:

Suzanne R. Dahlsrom, CPA, Manager
Daniel L. Grady, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

James H. Pitcher, Assistant Auditor
Tyler L. Carter, Assistant Auditor

Report of Recommendations to the
Seventh Judicial District Department

June 30, 2010

Findings Reported in the State's Single Audit Report:

No matters were noted.

Finding Reported in the State's Report on Internal Control:

No matters were noted.

Other 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:

Ernest H. Ruben, Jr., CPA, Manager
Casey L. Johnson, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Ainslee M. Barnes, CPA, Staff Auditor
Russell G. Jordan, Assistant Auditor

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2010

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Reported in the State's Single Audit Report:

No matters were noted.

Other Findings Related to Internal Control:

(1) Segregation of Duties (Fairfield Administrative Office) – 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:

- a) Receipts/Bank Reconciliation - The responsibilities for collection, deposit preparation and reconciliation functions should be separated from those for recording and accounting for receipts. Currently, the administrative officer opens mail, accounts for receipts and performs the bank reconciliation. The District Director initials the bank reconciliations.
- b) Payroll – Both the administrative office and executive secretary have access to all employee's timesheets and are able to prepare and approve any employee's timesheet.

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. Also, there should be restrictions for employees to have access only to their individual timesheets and those they are allowed to approve.

Response – Due to budget limitations, staff size is limited to one administrative accountant and a part time executive secretary. We will continue to segregate duties as much as possible using the small staff available.

Conclusion – Response accepted.

(2) Contract Renewal – One of five contracts tested was not current for fiscal year 2010. In addition, two of five contracts tested did not contain a clause denoting compliance with applicable laws and regulations and a clause regarding the assignment of the contract.

Recommendation – Contracts should be renewed when they expire if services are being continued. In addition, to ensure proper control procedures, contracts should include all appropriate clauses.

Response – During the last fiscal year, all District Department contracts were consolidated under the responsibility of the District Department Director's executive secretary. All contracts are now placed on a master schedule to ensure they are renewed in a timely manner. Furthermore, we are seeking uniformity of contractual language by having all contractors reviewed by the executive secretary.

Conclusion – Response accepted.

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2010

- (3) Supervision Fees – The District Department is not reconciling the assessment and receipt of supervision fees.

Recommendation – The District Department should reconcile the assessment and receipt of supervision fees.

Response – The District Department will set up a reconciliation process for assessing and receiving supervision fees.

Conclusion – Response accepted.

- (4) Timely Deposits – Certain receipts were not deposited timely.

Recommendation – District Department officials should implement procedures to ensure all receipts are deposited in a timely manner.

Response – The District Department will discuss the timeliness of deposits with the employees responsible for making deposits.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

- (1) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each state agency to report and remit obligations, including checks, outstanding for more than two years to the Treasurer of State annually. Certain outstanding checks greater than two years old have not been remitted to the Treasurer of State.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the Treasurer of State as required by the Code of Iowa.

Response – The District Department will review the list annually and remit amounts to the Treasurer of State's office.

Conclusion – Response accepted.

- (2) Targeted Small Business Notification - Chapter 73.16 of the Code of Iowa requires each state agency with purchasing authority to issue electronic bid notices for distribution to the targeted small business web page located at the Department of Economic Development for solicitation for bids for procurements of equipment, supplies or services. The District Department did not provide notices to the targeted small business manager prior to issuance of all bid notices.

Recommendation - Bid notices should be provided to the targeted small business manager prior to issuance of all bid notices as required by the Code of Iowa.

Response – The District Director was unaware of this requirement and plans to seek guidance from the Department of Corrections to determine if the District is to be considered a “state agency” in this matter. In lieu of that discussion, the Director has reviewed Chapter 106 of the Administrative Services in regards to purchasing standards and will make every effort to comply in so much as providing notifications.

Conclusion – Response accepted.

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2010

Staff:

Questions or requests for further assistance should be directed to:

K. David Voy, CPA, Manager
Scott P. Boisen, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in this audit include:

Marijke J. Hodgson, Assistant Auditor
Kassi D. Adams, Assistant Auditor