



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ August 14, 2013 _____

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released a report on the Iowa Department of Justice for the year ended June 30, 2012.

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.

A copy of the 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/1360-1120-0R00.pdf>.

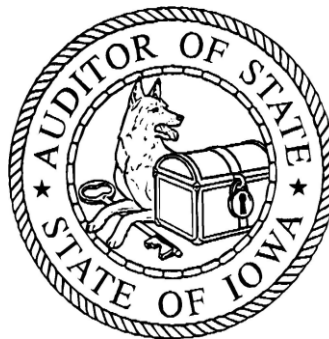
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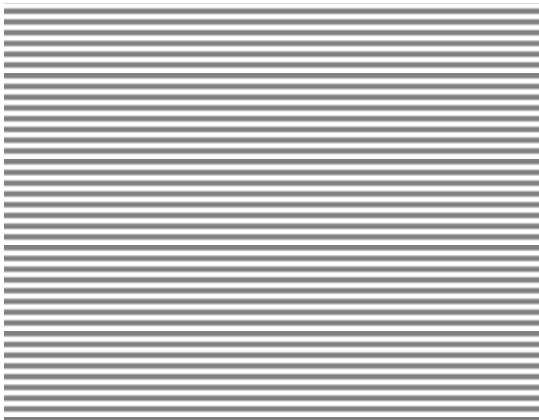
**REPORT OF RECOMMENDATIONS TO THE
IOWA DEPARTMENT OF JUSTICE**

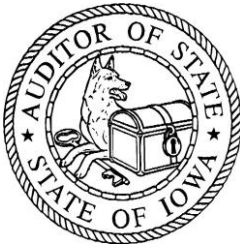
JUNE 30, 2012

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



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August 6, 2013


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, 2012.

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. 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 7 and they are available to discuss these matters with you.


MARY MOSIMAN, 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

Iowa Department of Justice

June 30, 2012

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) 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. For the Prosecuting Attorney's Office, responsibilities for maintaining detailed accounts receivable records are not segregated from collections.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Prosecuting Attorney's Office should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – It is difficult for a small agency or unit with only two support staff to segregate duties. This is further complicated by the fact that the Prosecuting Attorney's Office is located on a different floor than the rest of the Attorney General's Office. We have evaluated the situation and the recommendations by the Auditor's Office and have formed a plan that should better address the issue.

All mail from the Prosecuting Attorney's Office will be received and opened by the Attorney General's main receptionist. All checks and cash will be received by separate individuals in the Attorney General's Office prior to being delivered to the Prosecuting Attorney's Office who will still be responsible for entering the financial information into the appropriate systems.

Conclusion – Response accepted.

- (2) Financial Reporting – The Department records receipts and disbursements on the Integrated Information for Iowa (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) in a GAAP package. The GAAP package is to be submitted to DAS–SAE by the first week of September each year. The Office of Consumer Advocate Division's estimate of accounts receivable of \$1,181,170 reported in the GAAP Package was not supported.

Recommendation – The Office of Consumer Advocate should maintain supporting documentation for estimates reported in the GAAP package.

Report of Recommendations to the Iowa Department of Justice

June 30, 2012

Response – An estimate was made by the Department of Commerce staff for the fiscal year 2012 GAAP report, but the paperwork showing the basis for the estimate could not be located. Starting with fiscal year 2013, the Department of Commerce staff will create the estimated reconciliation paperwork to show the calculation of the accounts receivable balance due for fiscal year 2013 and attach it to all GAAP reports. The estimate will also be included with the final reconciliation billing paperwork when staff true up the expenditures for fiscal year 2013.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

Iowa Consumer Credit Code – Chapter 537.6104(5) of the Code of Iowa requires the administrator of the Iowa Consumer Credit Code (ICCC) to report annually, on or before January 1, 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 was not made to the General Assembly by January 1.

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.

Response – The ICCC requires the Administrator to report annually, prior to January 1. The Attorney General’s office, as Administrator, recommenced issuing the annual report two years ago, though subsequent to January 1 each year. The report has been prepared later in the following year since it takes time to compile the prior year’s statistics, both within our office but also from the offices of the Iowa Superintendent of Banking and of the Superintendent of the Iowa Division of Credit Unions. It may be possible for us to issue a more general report prior to January 1, but it will lack specificity regarding consumer experiences as reflected in consumer complaints to our offices. As for the report for calendar year 2012, we expect to be able to draft and file the report by July 1, 2013. Our intent for the 2013 calendar year report will be to comply with the January 1, 2014 filing requirement by issuing a general statement relating to 2013 and then follow it with a more specific supplemental report later in 2014.

In addition, we are giving thought to whether to seek an amendment to the ICCC to authorize, but not require reporting.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Department of Justice

June 30, 2012

Staff:

Questions or requests for further assistance should be directed to:

Donna F. Kruger, CPA, Manager
Jenny M. Podrebarac, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Daniel J. Mikels, Staff Auditor
Jamie T. Reuter, Staff Auditor
Matthew J. Erlbacher, Assistant Auditor
Laura M. Wernimont, Assistant Auditor