



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

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**NEWS RELEASE**

FOR RELEASE August 10, 2004

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, 2003.

The eight Judicial District Departments of Correctional Services provide community-based correctional programs to Iowa's 99 counties throughout the state 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 \$4,261,959 at the Fourth Judicial District Department to \$15,034,870 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$4,275,463 at the Fourth Judicial District Department to \$15,279,786 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 responded favorably to the recommendations.

A copy of the report is available for review at each of the Judicial District Departments or the Office of Auditor of State.

###

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

**JUNE 30, 2003**

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



**David A. Vaudt, CPA  
Auditor of State**

0475-0000-0000

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**Judicial District Departments of Correctional Services**



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April 19, 2004

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, 2003.

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, 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.

We have also included certain unaudited financial information for the Judicial District Departments for the year ended June 30, 2003.

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, 14, 15, 16 and 18 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 Thomas J. Vilsack, Governor  
Cynthia P. Eisenhauer, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

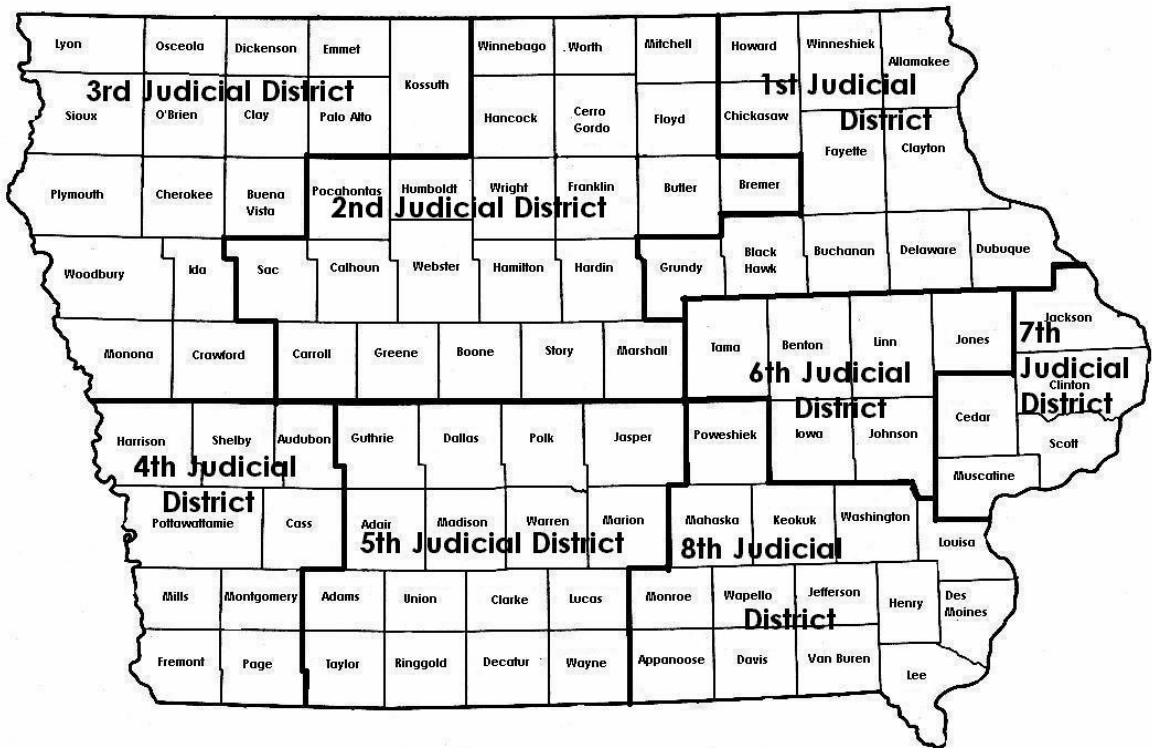
# Eight Judicial District Departments of Correctional Services

## 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 and expenditures 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 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 \$4,261,959 at the Fourth Judicial District Department to \$15,034,870 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$4,275,463 at the Fourth Judicial District Department to \$15,279,786 at the Fifth Judicial District Department.

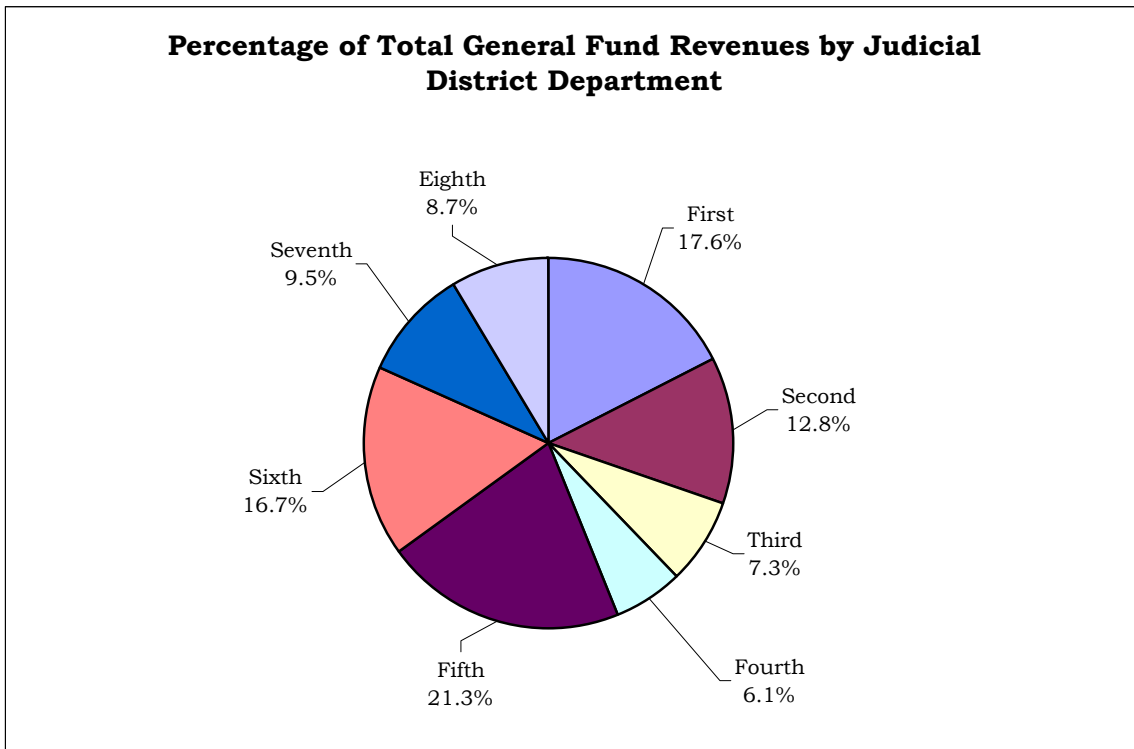


Judicial District Departments

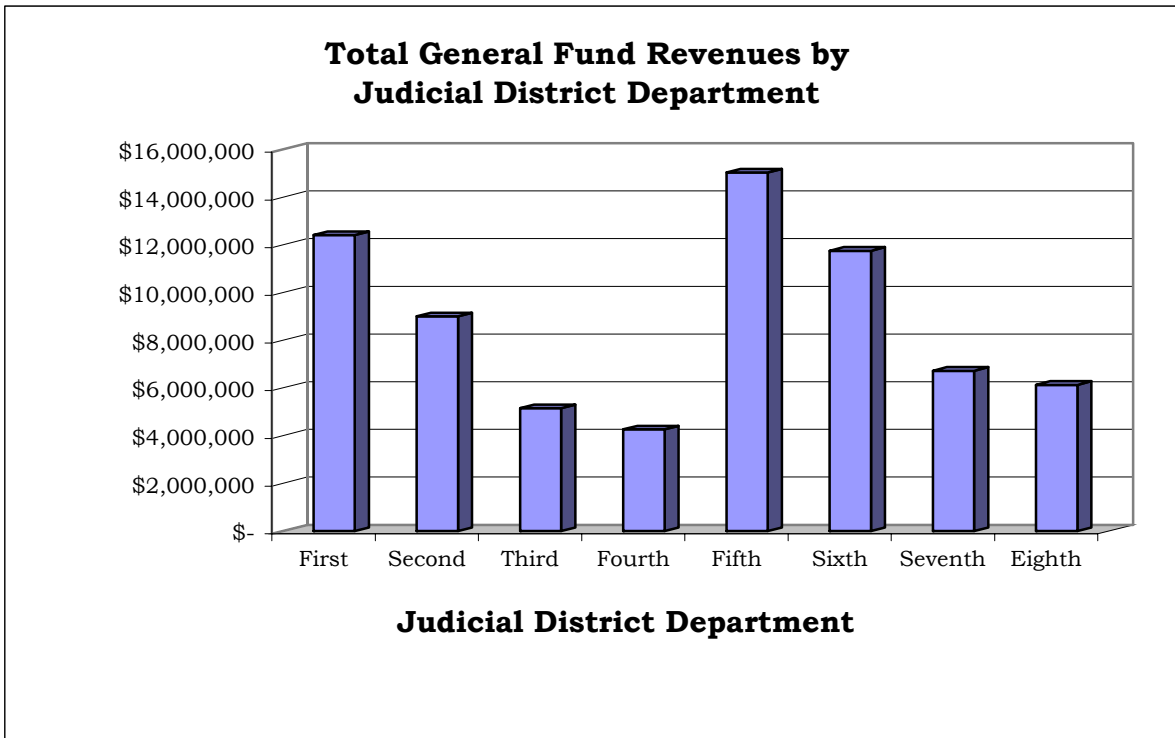
Schedule of General Fund Revenues by Judicial District Department  
(Unaudited)

Year ended June 30, 2003

Revenues	First	Second	Third
Net state appropriation allocation	\$ 9,276,934	7,280,001	4,194,434
Federal, state, and local grants and contracts	1,427,785	479,413	178,725
Interest on investments	10,286	7,261	7,321
Fees, refunds and reimbursements	1,695,578	1,197,773	737,040
Rents and miscellaneous	-	44,512	38,301
<b>Total</b>	<b>\$ 12,410,583</b>	<b>9,008,960</b>	<b>5,155,821</b>



Judicial District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
3,808,504	11,865,833	8,983,841	5,156,594	5,276,849	55,842,990
30,000	150,809	821,446	258,204	97,716	3,444,098
8,165	23,496	24,822	12,247	8,085	101,683
406,957	2,945,973	1,855,659	1,253,471	743,282	10,835,733
8,333	48,759	68,196	41,101	7,554	256,756
4,261,959	15,034,870	11,753,964	6,721,617	6,133,486	70,481,260

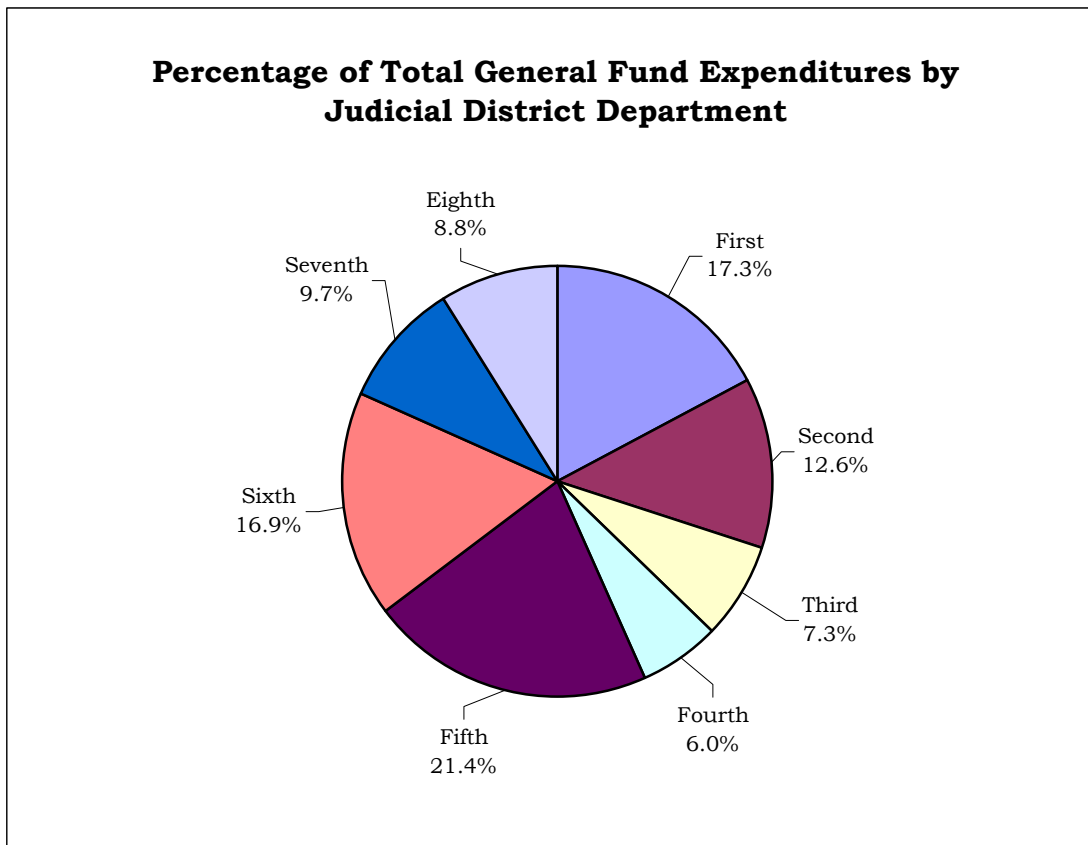


Judicial District Departments

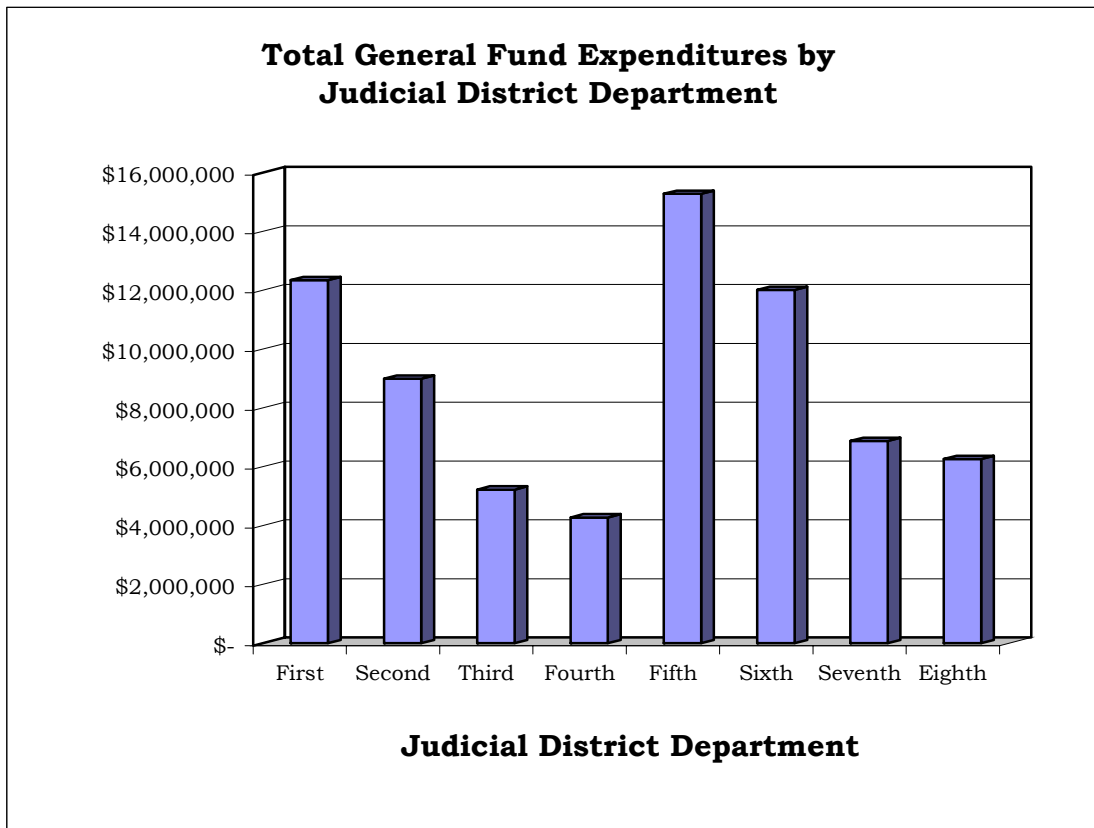
Schedule of General Fund Expenditures by Judicial District Department  
(Unaudited)

Year ended June 30, 2003

Expenditures	First	Second	Third
Personal services	\$ 10,701,199	7,580,891	4,477,654
Travel and subsistence	74,311	119,769	45,408
Supplies	409,882	347,414	138,327
Contractual services	796,681	791,933	255,007
Equipment and repairs	83,362	149,497	64,612
Claims and miscellaneous	281,119	-	243,315
Plant improvements	-	-	-
<b>Total</b>	<b>\$ 12,346,554</b>	<b>8,989,504</b>	<b>5,224,323</b>



Judicial District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
3,567,123	11,724,468	10,288,894	5,660,957	5,121,447	59,122,633
61,447	159,069	87,829	45,906	60,172	653,911
243,213	595,743	453,573	345,326	281,047	2,814,525
398,612	2,270,772	605,924	724,078	683,471	6,526,478
5,068	216,544	370,406	91,465	63,385	1,044,339
-	313,190	85,055	14,639	52,938	990,256
-	-	119,557	-	-	119,557
4,275,463	15,279,786	12,011,238	6,882,371	6,262,460	71,271,699



Report of Recommendations to the  
First Judicial District Department

June 30, 2003

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

No matters were noted.

**Findings Related to Internal Control:**

Agency Fund – The District Department's policy is all checks at the Dubuque Residential Facility will have dual signatures. Several checks were identified that did not have dual signatures.

Recommendation – The District Department should ensure the policy regarding dual signatures on checks is enforced.

Response – District Residential Services Manual; Section: Supervision; Subject: In-House Fund; Standard #6 states: "Disbursements from all funds shall be by check and may not exceed \$500 without verbal approval of the Division Manager. Two (2) authorized signatures must sign each check."

The Dubuque Residential Facility Managers and clerical have been directed to review this policy and to adhere to the two (2)-signature guideline established in policy.

Conclusion – Response accepted.

**Findings Related to Statutory Requirements and Other Matters:**

Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District Department to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District Department retains cancelled checks through electronic image for the Dubuque Residential Facility, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The District Department should obtain and retain an image of both the front and back of each cancelled check as required.

Response – As of July 2003, Liberty Bank in Dubuque returns the actual cancelled checks back to the Department with the monthly statement.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Steven M. Nottger, CPA, Manager  
Sarah M. Wright, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Jake P. Keegan, Assistant Auditor

Report of Recommendations to the  
Second Judicial District Department

June 30, 2003

**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:

Kay F. Dunn, CPA, Manager  
Brad T. Holtan, Assistant Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Jeffrey L. Lenhart, Assistant Auditor

Report of Recommendations to the  
Third Judicial District Department

June 30, 2003

**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:

Steven M. Nottger, CPA, Manager  
Kip M. Druecker, Assistant Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Greg A. Prather, Assistant Auditor

Report of Recommendations to the  
Fourth Judicial District Department

June 30, 2003

**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:

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

Other individuals who participated on the audits include:

Nicole B. Tenges, Staff Auditor



Report of Recommendations to the  
Fifth Judicial District Department

June 30, 2003

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

No matters were noted.

**Findings Related to Internal Control:**

Supervision Fees Receivable – District Departments are required to submit GAAP packages each year. The Fifth Judicial District Department reported receivables for supervision fees. Reconciliations were not performed for supervision fees receivable and a detailed listing of the receivables at year end was not generated to support the amount reported in the GAAP package.

Recommendation – The Fifth Judicial District Department should reconcile supervision fees receivable and prepare a detailed listing of the receivables at year end to support the amount reported in the GAAP package.

Response – The Fifth Judicial District Department will begin to perform monthly reconciliations of supervision fee receivables. We will also attempt to incorporate a report, which would entail a detailed listing of the receivables, in our revised “Fee Collection Program” to be used in FY 2005. This would be used to support the amount reported in the GAAP package.

Conclusion – Response accepted.

**Findings Related to Statutory Requirements and Other Matters:**

Board Minutes – The Board meeting held on September 13, 2002 was a closed session regarding a personnel issue. No minutes were kept. The meeting was not in compliance with the closed meeting requirements of Chapter 21.5 of the Code of Iowa.

Recommendation – Closed meetings should be held in accordance with Chapter 21.5 of the Code of Iowa. This includes keeping detailed minutes of all discussion, people present and action occurring at a closed session. The minutes should state the purpose for which the meeting is being closed and the vote of each individual Board member.

Response – The Fifth Judicial District Department will comply with Chapter 21.5 of the Code of Iowa in relation to records maintained for closed sessions of Board meetings.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Cynthia L. Weber, CPA, Manager  
Karen L. Brustkern, CPA, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Sarah D. McFadden, Staff Auditor  
Curtis J. Schroeder, Assistant Auditor

Report of Recommendations to the  
Sixth Judicial District Department

June 30, 2003

**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:

Kay F. Dunn, CPA, Manager  
Sarah D. McFadden, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Daniel L. Grady, Assistant Auditor

Report of Recommendations to the  
Seventh Judicial District Department

June 30, 2003

**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:

Steven M. Nottger, CPA, Manager  
Jake P. Keegan, Assistant Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Michael J. Gentry, Jr., Assistant Auditor

Report of Recommendations to the  
Eighth Judicial District Department

June 30, 2003

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

No matters were noted.

**Findings Related to Internal Control:**

- (1) Segregation of Duties (Fairfield Administrative Office) – The responsibilities for collection, deposit preparation and reconciliation functions should be separated from those for recording and accounting for receipts. Currently, the administrative accountant prepares the deposit, deposits the receipts, accounts for receipts and reconciles the bank account. The District Director initials the bank reconciliations.

In addition, the responsibility for check signing should be properly segregated. Currently, the Eighth Judicial District Department requires dual signatures on checks. The administrative accountant is an authorized check signer and also has access to the District Director's check signature stamp.

Recommendation – Someone independent of the receipts process should compare the receipts to the cash and checks collected, compare the receipts to an authorized deposit slip and initial to indicate their review.

In addition, when the check signature stamp of the Director is used, an authorized check signer other than the administrative accountant should be the second signature on the check.

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

Conclusion – Response accepted.

- (2) Resident Account Reconciliations – The Eighth Judicial District Department performs monthly bank reconciliations between the bank balance and the Agency Fund balance for the resident accounts. However, the District Department does not prepare a monthly reconciliation between the month end Agency Fund balance and the total balance of individual resident accounts. This monthly reconciliation would ensure the Agency Fund balance is sufficient to cover the amounts due to all residents.

Recommendation – The Eighth Judicial District Department should implement procedures to ensure the reconciliation between the Agency Fund balance and the total due to residents is completed each month.

Response – The Eighth Judicial District Department will attempt to reconcile the Agency Fund balance to the total due to residents monthly. The Eighth Judicial District Department currently prepares weekly reconciliations between the Agency Fund balance and the total due to residents. The Eighth Judicial District Department will retain supporting documentation from the banking system to support the weekly reconciliations.

Conclusion – Response accepted.

Report of Recommendations to the  
Eighth Judicial District Department

June 30, 2003

**Findings Related to Statutory Requirements and Other Matters:**

Cancelled Checks – The Eighth Judicial District Department does not obtain cancelled checks from two bank accounts for client monies.

Recommendation – The Eighth Judicial District Department should obtain cancelled checks for bank accounts of clients' monies for proper documentation. Cancelled checks could be the original checks issued or an electronic format. If the cancelled checks are in an electronic format, the image of both the front and back of each cancelled check is required by Chapter 554D.114 of the Code of Iowa.

Response – The Eighth Judicial District Department has contacted the banks and started receiving cancelled checks from the banks in July 2003.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

K. David Voy, CPA, Manager  
Kristen E. Harang, CPA, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Emily F. Weers, Assistant Auditor