



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

December 22, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released a combined report on the eight Judicial District Departments of Correctional Services for the year ended June 30, 2013.

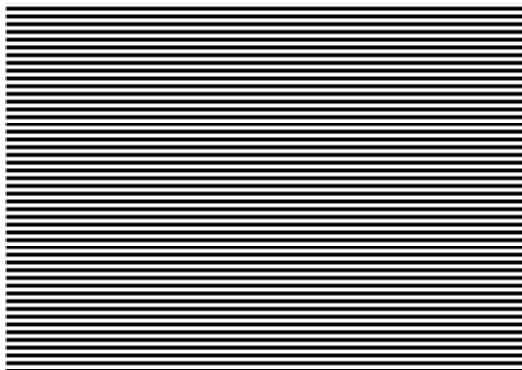
The eight Judicial District Departments of Correctional Services provide community-based correctional programs to Iowa's 99 counties and have administrative offices in Waterloo, Ames, Sioux City, Council Bluffs, Des Moines, Cedar Rapids, Davenport and Fairfield. The Iowa Department of Corrections provides the majority of the funding for the District Departments.

Total revenues ranged from \$6,222,872 at the Fourth Judicial District Department to \$24,177,900 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,194,876 at the Fourth Judicial District Department to \$24,637,517 at the Fifth Judicial District Department.

Mosiman 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/1475-0000-OR00.pdf>.

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

JUNE 30, 2013

==== Office of ====

**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



Mary Mosiman, CPA
Auditor of State

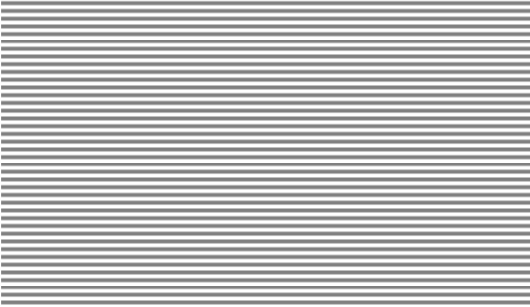


Table of Contents

		<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		11-13
Third Judicial District Department		14
Fourth Judicial District Department		15
Fifth Judicial District Department		16-17
Sixth Judicial District Department		18-21
Seventh Judicial District Department		22
Eighth Judicial District Department		23-24



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December 15, 2014

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

The eight individual Judicial District Departments of Correctional Services (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, 2013.

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, 2013.

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, 13, 14, 15, 17, 21, 22 and 24 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

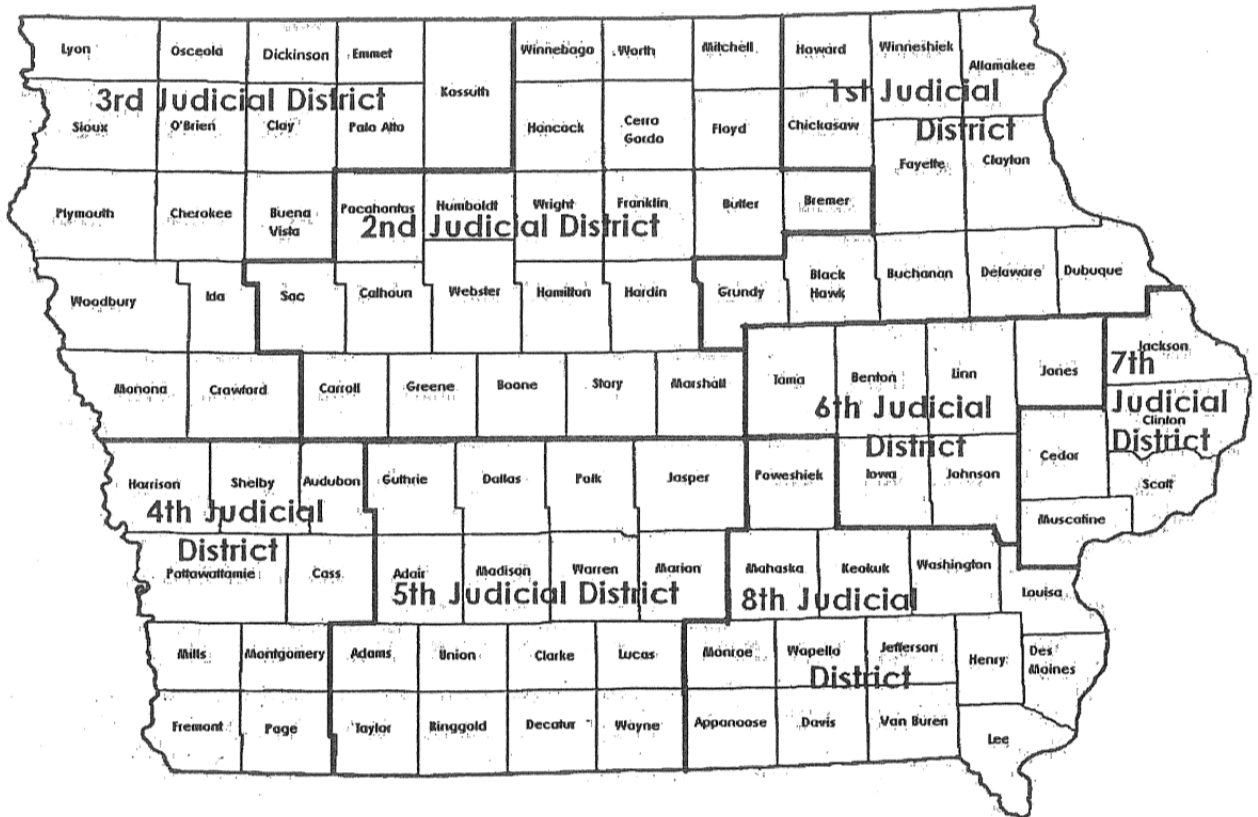
Eight Judicial District Departments of Correctional Services

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 of Correctional Services (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.



Eight Judicial District Departments of Correctional Services

Overview

Scope and Methodology

We have presented Schedules of General Fund Revenues, Expenditures and Changes in Fund Balance by 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 District Departments 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.
- (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 \$6,222,872 at the Fourth Judicial District Department to \$24,177,900 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,194,876 at the Fourth Judicial District Department to \$24,637,517 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, 2013

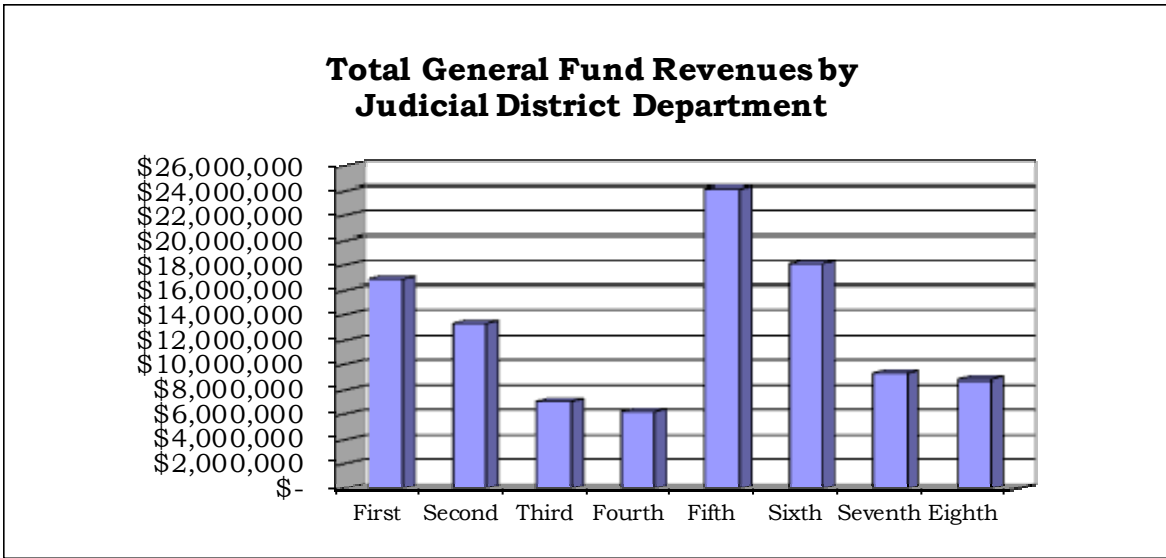
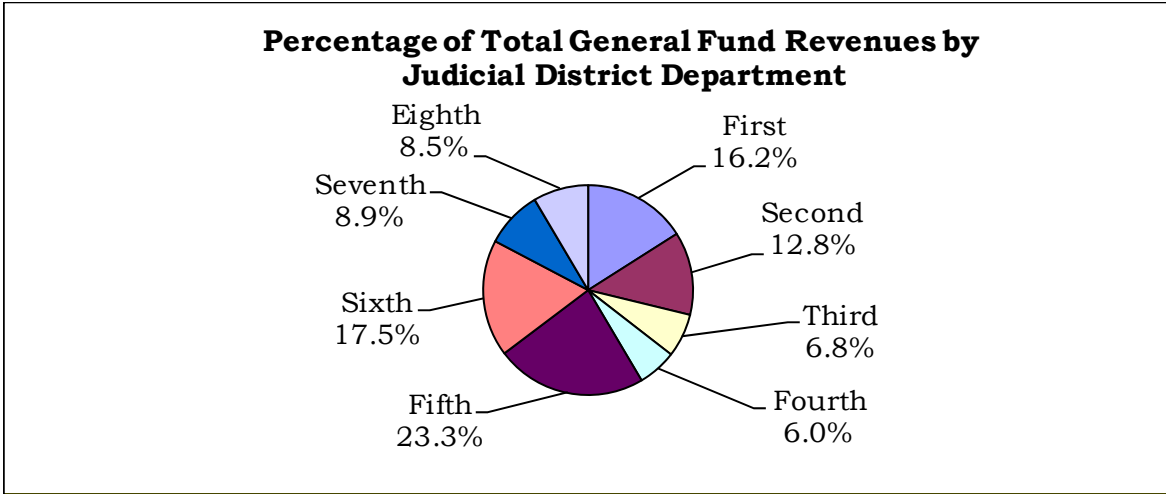
	First	Second	Third
Revenues:			
Net state appropriation allocation	\$ 12,958,763	10,870,425	6,238,455
Federal, state and local grants and contracts	1,238,874	777,076	-
Interest on investments	3,977	4,092	1,120
Fees, refunds and reimbursements	2,620,078	1,588,108	409,921
Rents and miscellaneous	6,476	41,790	424,370
Total revenues	16,828,168	13,281,491	7,073,866
Expenditures:			
Personal services	15,068,834	11,979,992	6,197,072
Travel and subsistence	61,636	134,925	54,639
Supplies	510,363	388,649	168,798
Contractual services	987,537	637,945	342,405
Equipment and repairs	58,864	138,279	86,127
Claims and miscellaneous	168,211	-	15,184
Plant improvements	-	267,468	-
Total expenditures	16,855,445	13,547,258	6,864,225
Excess (deficiency) of revenues over (under) expenditures	(27,277)	(265,767)	209,641
Fund balance beginning of the year	69,842	507,980	50,514
Fund balance end of the year	\$ 42,565	242,213	260,155

Judicial District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
5,495,309	19,303,474	14,116,836	6,888,484	7,518,935	83,390,681
19,667	199,940	829,493	273,119	149,782	3,487,951
172	4,571	9,030	1,481	2,550	26,993
681,937	4,588,148	3,033,074	2,124,463	1,108,527	16,154,256
25,787	81,767	145,111	-	8,722	734,023
6,222,872	24,177,900	18,133,544	9,287,547	8,788,516	103,793,904
5,307,491	21,385,641	15,530,080	7,801,972	7,379,861	90,650,943
57,123	108,029	84,762	47,284	56,891	605,289
304,657	369,575	536,219	427,298	286,741	2,992,300
415,517	2,572,059	720,760	687,065	682,603	7,045,891
94,844	143,917	926,104	63,094	94,442	1,605,671
15,244	58,296	251,737	33,387	120,327	662,386
-	-	-	-	-	267,468
6,194,876	24,637,517	18,049,662	9,060,100	8,620,865	103,829,948
27,996	(459,617)	83,882	227,447	167,651	(36,044)
59,104	900,302	115,239	103,763	207,126	2,013,870
87,100	440,685	199,121	331,210	374,777	1,977,826

Judicial District Departments

General Fund Revenues by Judicial District Department
(Unaudited)

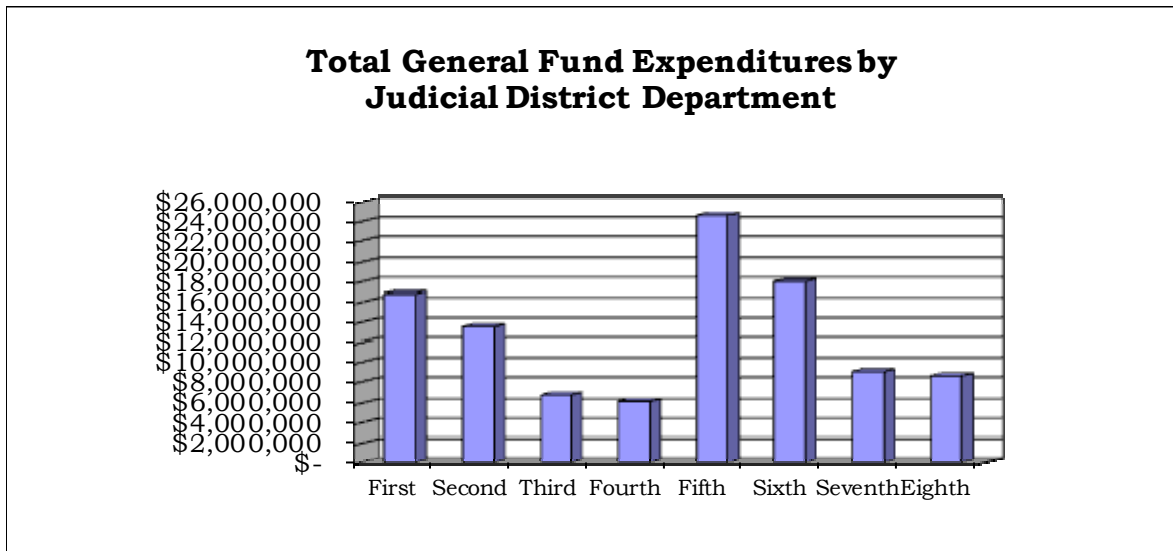
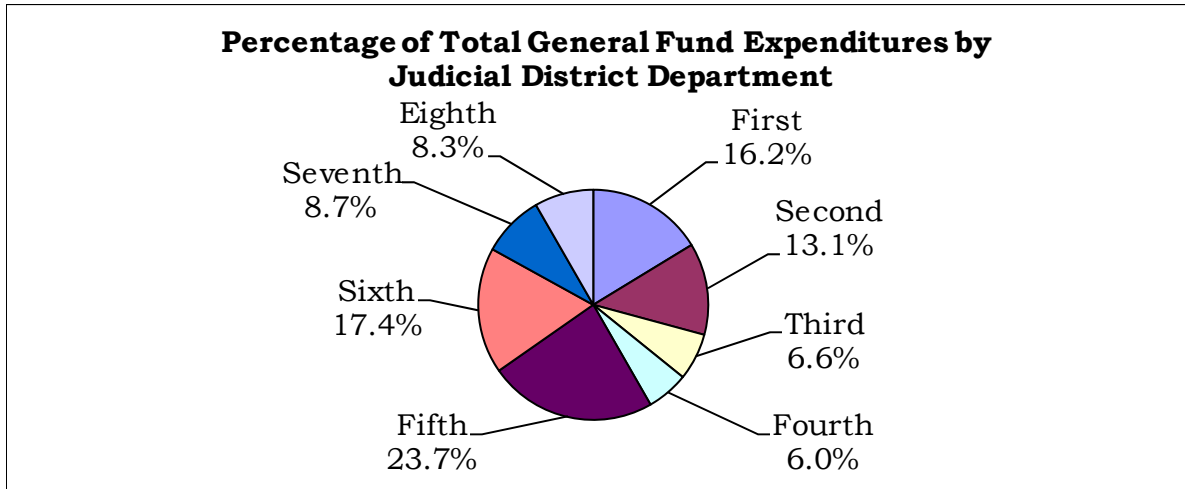
Year ended June 30, 2013



Judicial District Departments

General Fund Expenditures by Judicial District Department
(Unaudited)

Year ended June 30, 2013



Report of Recommendations to the
First Judicial District Department

June 30, 2013

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
Russell G. Jordan, CPA, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Anthony M. Heibult, Assistant Auditor
Corey M. Vannausdle, Assistant Auditor

Report of Recommendations to the
Second Judicial District Department

June 30, 2013

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) Bank Reconciliations – The residential bank account and book balances were not properly reconciled monthly. An unresolved variance between the bank and the book balance was not properly resolved in a timely manner.

Recommendation – To improve financial accountability and control, the District Department should ensure variances between the bank and book balances are investigated and resolved timely.

Response – The District Department will investigate all variances between the bank and book balances thoroughly and timely, and will also resolve any variances in a timely manner. The Department has implemented separate residential client account bank reconciliation processes for each of the District's four Residential Centers. All reconciliations and reviews between bank and book balances for each Center will occur monthly by a minimum of two (2) staff members, and any discrepancies will be resolved timely. Reconciliation procedures will be examined to ensure those processes reduce and eliminate the potential of variances.

Conclusion – Response accepted.

- (2) Field Officer Receipts – Effective controls do not exist over cash collected and receipts issued during group meetings at field offices. There are no controls to prevent field officers from collecting money without issuing a receipt as there is no reconciliation/review of money collected to receipts issued. In one instance cash collections were not deposited until one month after the meeting.

Recommendation – Of the two field officers present at group meetings, one should collect cash from clients and issue a receipt while the other verifies/reviews the amount of cash collected. A reconciliation of the amount of cash collected and the client attendance log should be prepared to ensure cash is properly accounted for.

Response – An updated Fiscal Policy regarding Offender Fee Payments and all procedures for handling money collected from offender clients was completed in Fiscal Year 2014, and the policy was approved by the Department's Board of Directors. Procedures in this policy state that at group meetings one staff member will collect money and issue client receipts with the second staff member verifying and reviewing money collected. Also, both staff members will complete, sign and date a reconciliation form for all money collected at the group meeting, before closing the group meeting session.

Training on this updated Fiscal Policy and all its procedures was completed at all Department work unit staff meetings in Fiscal Year 2014, and Department staff members will be required to complete an acknowledgment of this policy and procedures.

Conclusion – Response accepted.

Report of Recommendations to the
Second Judicial District Department

June 30, 2013

- (3) Agency Fund Disbursement – Client account disbursements are authorized and made in accordance with a weekly budget approved in consultation with individual clients. For two of the four client account disbursements tested, the weekly budget was not available in the client file.

Recommendation – The District Department should ensure the weekly budgets supporting client disbursements is retained in the client's file.

Response – The District Department will coordinate with all four residential facilities in the District and ensure through training and procedural updates that offenders weekly budgets are retained in the client's file.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

- (1) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the District Department to retain cancelled checks in 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, but did not obtain an image of the back of each cancelled check as required.

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

Response – The District Department has contacted the financial institutions that hold and process these various client accounts, and has made arrangements with those institutions to begin receiving images of the information on the back of checks each month with the monthly statements, in addition to receiving the information on the front of checks.

Conclusion – Response accepted.

- (2) Meeting Minutes – For all meetings, the minutes lacked the information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

Recommendation – Meeting minutes should be documented in compliance with Chapter 21.3 of the Code of Iowa. Minutes should state information sufficient to indicate the vote of each member present and the vote of each member present shall be made public at the open session.

Response – For all meetings of the District Department's Board of Directors, the minutes will state sufficient information in order to document the vote of each member present. These records will be available to the public at open sessions.

Conclusion – Response accepted.

Report of Recommendations to the
Second Judicial District Department

June 30, 2013

Staff:

Questions or requests for further assistance should be directed to:

Timothy D. Houlette, CPA, Manager
Leanna J. Showman, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Ashely J. Moser, CPA, Staff Auditor
Leslie M. Downing, Assistant Auditor

Report of Recommendations to the
Third Judicial District Department

June 30, 2013

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:

GAAP Package – Activity for the District Department 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 following errors were noted:

- The Agency Fund additions and deletions were overstated by \$2,364.
- Accounts payable were understated by \$4,745.

Recommendation – The District Department should ensure the GAAP package information reported is complete and accurate.

Response – The accounting staff will ensure all accounts are correctly stated.

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
Tyler J. Guffy, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Melissa E. Janssen, Assistant Auditor

Report of Recommendations to the
Fourth Judicial District Department

June 30, 2013

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:

Capital Assets – One capital asset selected for testing was capitalized in fiscal year 2013 but was not received until fiscal year 2014. Capital assets at June 30, 2013 were overstated by \$25,266.

Recommendation – The District Department should not pay for or capitalize capital assets which have not been received by June 30th.

Response – The District Department will ensure the capital asset listing is accurate and complete at the end of the Fiscal Year. Now that they understand the policies for capital assets purchased at the end of the year but not received until the next 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:

Suzanne R. Dahlstorm, CPA, Manager
Daniel J. Mikels, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Tiffany N. Aliprandi Assistant Auditor
Jeremy L. Krajicek, Assistant Auditor

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2013

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) Capital Assets – One capital asset selected for testing could not be located and was determined to have been disposed of.

Recommendation – The District Department should ensure the capital asset listing is accurate and complete at the end of each fiscal year.

Response – The District Department will ensure the capital asset listing is accurate and complete at the end of each fiscal year by doing a complete asset verification each year.

Conclusion – Response accepted.

- (2) Agency Fund Disbursements – Client account disbursements are authorized and made in accordance with a weekly budget approved in consultation with individual clients. For seven of the forty client account disbursements tested, the weekly budget was not available in the client file.

Recommendation – The District Department should ensure the weekly budgets supporting client disbursements are retained in the client's file.

Response – The District Department will ensure the weekly budgets supporting client disbursements are retained for each weekly check run.

Conclusion – Response accepted.

- (3) Agency Fund Reconciliation – The District Department did not maintain all supporting documentation to support the Agency Fund reconciliation amounts at June 30, 2013.

Recommendation – The District should ensure supporting documentation is maintained for the Agency Fund reconciliations.

Response – The District will ensure the Agency Fund reconciliation and the amounts reported agree with the supporting documentation.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2013

Staff:

Questions or requests for further assistance should be directed to:

Timothy D. Houlette, CPA, Manager
Tiffany M. Ainger, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Amanda L. Burt, Assistant Auditor
Luke H. Holman, Assistant Auditor
Elissa R. Olson, Assistant Auditor

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2013

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 – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from performing duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one individual has control over the following areas for which limited compensating controls exist for the residential client account:
 - a) Cash – preparing bank reconciliations and handling and recording cash.
 - b) Receipts – handling, depositing, journalizing and posting.
 - c) Disbursements – check preparation, check signing and recording.

Recommendations – We realize segregation of duties is difficult with a limited number of office employees. However, the District Department should review its operating procedures to obtain the maximum internal control possible under the circumstances. The District Department should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

Response – The District Department has reassigned duties as staffing permits to ensure proper segregation of duties exists. The review of the bank reconciliations is now documented by the reviewer's initials and date of review.

Conclusion – Response accepted.

- (2) Loan Funds – The District maintains two checking accounts where funds are advanced to residents to procure items and pay for services in the course of supervision in the residential facility programs. Residents access the loan funds through supervisory staff who authorize the loans by signing checks to the appropriate payee. The loan is recorded in the resident's account on ICON, where the resident and resident officer budget to repay the loan. Loans which are not repaid are eventually written off, and the loan fund is periodically replenished from the District Department's operating account. These loan funds are not reported on the District's GAAP package.

The District does not have formalized policies and procedures regarding the use of the loan funds, as well as the process of writing off uncollectible accounts. Supporting documentation evidencing client authorization and receipts for items purchased with loan proceeds were not consistently maintained.

Disbursements in the loan funds were not consistently supported by proper documentation. Also, several checks were written to cash.

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2013

Recommendation – The District Department should establish formalized policies and procedures regarding the use and authorization of the loan funds, as well as the process of writing off uncollectible accounts. Policies should require adequate supporting documentation of purchases made from loan proceeds and authorization procedures.

Response – This issue was self-reported to the Office of Auditor of State and policies have been drafted to address the auditor’s internal control concerns. Checks are no longer written to cash.

Conclusion – Response accepted.

- (3) Relationship with CCIA – A report on a review of the Sixth Judicial District Department of Correctional Services for the period July 1, 2008 through June 30, 2012 was issued on January 10, 2014. The review was requested by the Director of the Department of Corrections as a result of concerns regarding the relationship between the District Department and the nonprofit Community Corrections Improvement Agency (CCIA). Through discussions with District Department staff, the relationship between the two entities during fiscal year 2013 did not substantially change from the period covered under the review issued January 10, 2014.

The operations of the District Department were not consistently distinct from those of CCIA. Because of decisions implemented by the District Department in the past, including the sharing of staff and how certain costs are paid, what should be distinct lines between the District Department’s operations and CCIA’s operations were blurred.

Several District Department employees were administering programs for CCIA and/or assisting with day-to-day operations, such as signing checks, making deposits, reviewing bank reconciliations and writing grants. These employees did not maintain timesheets which document how their time was allocated between the District Department and CCIA. The District Department was not reimbursed by CCIA for the time spent by the employees.

In addition, CCIA did not pay the District Department rent for the offices used by CCIA employees or reimburse the District Department a portion of the costs of maintaining the building or certain building services.

Recommendation – The District Department should implement changes which ensure a clear separation from CCIA’s operations, including assignment of staff and ensuring each entity is responsible for its own operating costs and financial recordkeeping. The District Department should implement procedures to ensure timesheets are completed, reviewed and maintained. The District Department should discontinue allowing District Department employees to administer CCIA grants/programs and functions. District Department officials should ensure policies and procedures are implemented which ensure CCIA reimburses the District Department for operating costs, including, but not limited to, rent for office space, a portion of utility costs and maintenance costs. In addition, District Department officials should ensure CCIA operations are physically separated from District Department operations in a manner which allows operating costs to be easily identifiable or allocated.

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2013

Response – The past three Department of Correction’s Directors, including the current DOC Director, has signed off on the Contracts for Professional Services between CCIA and the 6th Judicial DCS. The contract conditions include providing free office space and technical assistance to CCIA by the 6th Judicial DCS. In addition, these contracts were approved by the 6th Judicial District Department Board of Directors and were included in board minutes and were available for review by the Office of Auditor of State each year during their annual reviews of the 6th Judicial DCS.

Notwithstanding the above, when the special review by the Office of Auditor of State was received by the 6th Judicial DCS on January 10, 2014, immediate steps were implemented to comply with the review.

- (a) All CCIA operations were moved to a separate facility, the Wenzel Center, during the summer of 2013 and by June 1, 2014 all operations and personnel moved from the 6th Judicial DCS campus. The audit recommendation of “District Department officials should ensure policies and procedures are implemented which ensure CCIA reimburses the District Department for operating costs, including, but not limited to, rent for office space, a portion of utility cost, and maintenance cost,” has been resolved. In addition, the audit recommendation of “District Department officials should ensure CCIA operations are physically separated from District Department operations in a manner which allows operating costs to be easily identifiable or allocated,” has also been resolved.
- (b) Any coordination of programming for the benefit of the populations we serve is governed by board approved contracts along with supporting documentation. 6th Judicial DCS employees no longer administer CCIA grants/programs and functions.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

Unclaimed Property – Chapter 556.11 of the Code of Iowa requires the District Department to 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 the Code of Iowa.

Response – The review will be performed annually and documented. Appropriate items will be submitted to the Treasurer of State.

Conclusion – Response accepted.

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2013

Staff:

Questions or requests for further assistance should be directed to:

Timothy D. Houlette, CPA, Manager
Brandon J. Vogel, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Ryan J Pithan, Staff Auditor
Jesse J. Hartan, Assistant Auditor

Report of Recommendations to the
Seventh Judicial District Department

June 30, 2013

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:

Capital Assets – Equipment with a cost of \$70,598 has not been properly tagged with an appropriate decal or tag number and is not on the capital asset listing per Iowa Administrative Code 11-110.5 (7A) and 110.6 (7A).

Recommendation – The District Department should ensure all capital assets are properly tagged and can be identified on the capital asset listing.

Response – Items will be tagged in compliance with Department policy.

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:

Timothy D. Houlette, CPA, Manager
Ryan D. Baker, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Janell R. Wieland, Assistant Auditor

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2013

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 (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 reconciliation.
 - b) Payroll – Both the Administrative officer and the Executive Secretary have access to all employee 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, employees should only have access to their own timesheet and the timesheets they are authorized to approve.

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

Conclusion – Response accepted.

- (2) Service Contracts – Two of five contracts did not set a maximum dollar amount or a set reimbursement rate. Two of five contracts did not contain an indemnification clause.

Recommendation – Contracts should set maximum dollar limits or reimbursements to ensure all parties involved understand the payment arrangements for services rendered. In addition, to ensure proper control procedures, contracts should include all appropriate clauses.

Response – We continue to work on ensuring all contracts meet statutory guidelines, as well as ensuring uniformity of contractual language.

Conclusion – Response accepted.

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2013

- (3) GAAP Package Receivables – Uncollectible supervision fees for fiscal year 2013 were calculated at 80.5% when they should be calculated at 80%, resulting in an overstatement of \$6,504 for uncollectible supervision fees and an understatement of accounts receivable by \$6,504.

Recommendation – The proper percentage should be used to calculate uncollectible receivables. The calculation should be reviewed by another employee to ensure errors are detected and corrected.

Response – The Administrative Officer will have another employee in the Administrative office check the calculations.

Conclusion – Response accepted.

- (4) Timely Deposits – Four of fifteen supervision fee receipts were not deposited within 10 days of receipt. One of thirty-three general revenue receipts tested were not deposited within 10 days of receipt.

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

Response – The District Department will remind employees to deposit money received within 10 days of receipt.

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:

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Other individuals who participated in the audit include:

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