

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

October 26, 2015

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released a combined report on the eighth Judicial District Departments of Correctional Services for the year ended June 30, 2014.

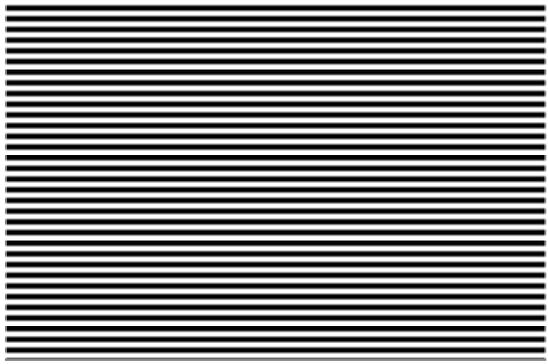
The eight Judicial District Departments of Correctional Services provide community-based correctional programs to Iowa's 99 counties and have administrative offices in Waterloo, Ames, Sioux City, Council Bluffs, Des Moines, Cedar Rapids, Davenport and Fairfield. The Iowa Department of Corrections provides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

Total revenues ranged from \$6,392,563 at the Fourth Judicial District Department to \$24,372,457 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,448,183 at the Fourth Judicial District Department to \$24,716,102 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/1575-0000-OR00.pdf>.

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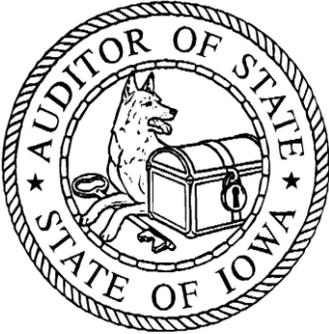
**COMBINED REPORT OF RECOMMENDATIONS TO THE
EIGHT JUDICIAL DISTRICT DEPARTMENTS OF
CORRECTIONAL SERVICES**

JUNE 30, 2014

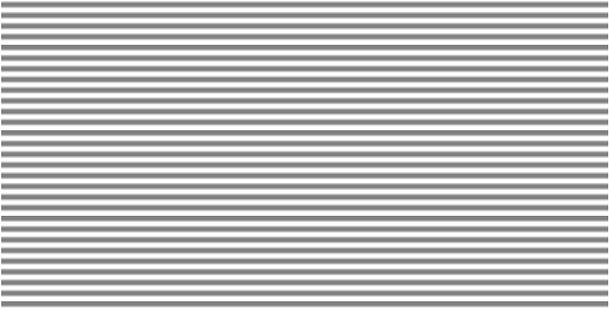
==== Office of ====

AUDITOR OF STATE

State Capitol Building • Des Moines, Iowa



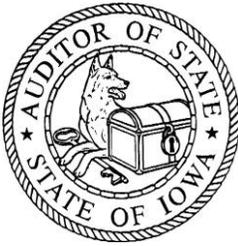
Mary Mosiman, CPA
Auditor of State



1575-0000-0R00

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STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

October 21, 2015

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, 2014.

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, 2014.

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, 18, 19 and 21 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

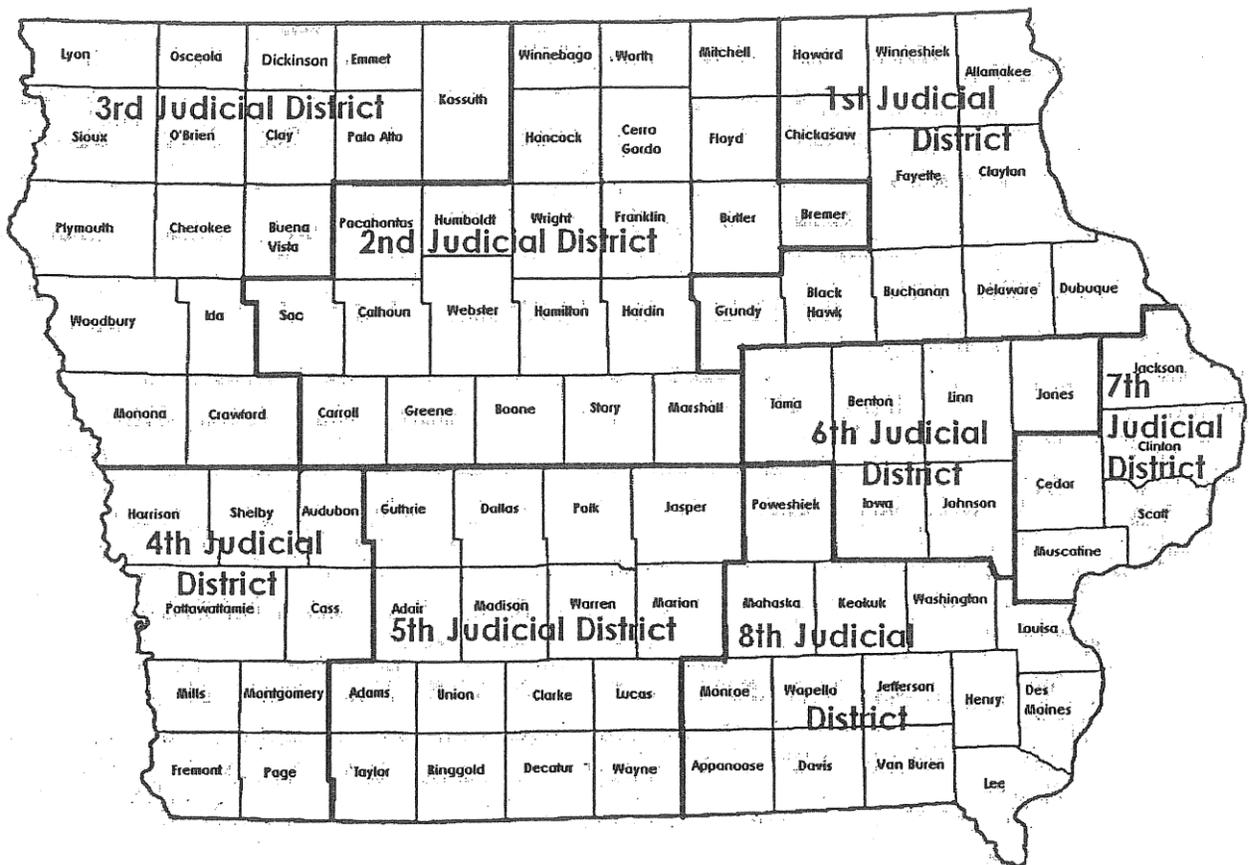
Eight Judicial District Departments of Correctional Services

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 \$6,392,563 at the Fourth Judicial District Department to \$24,372,457 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,448,183 at the Fourth Judicial District Department to \$24,716,102 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, 2014

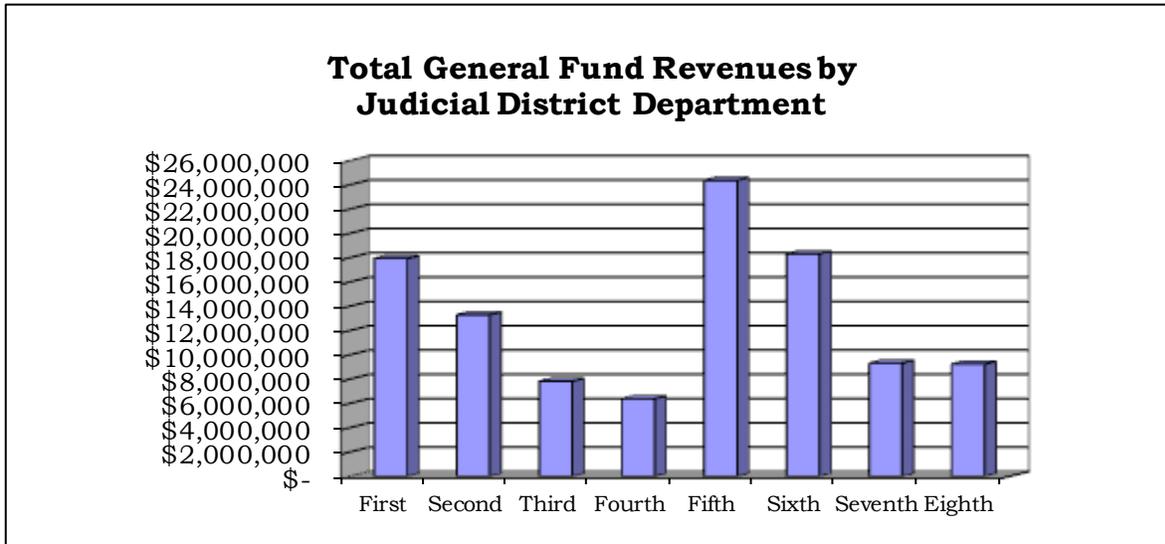
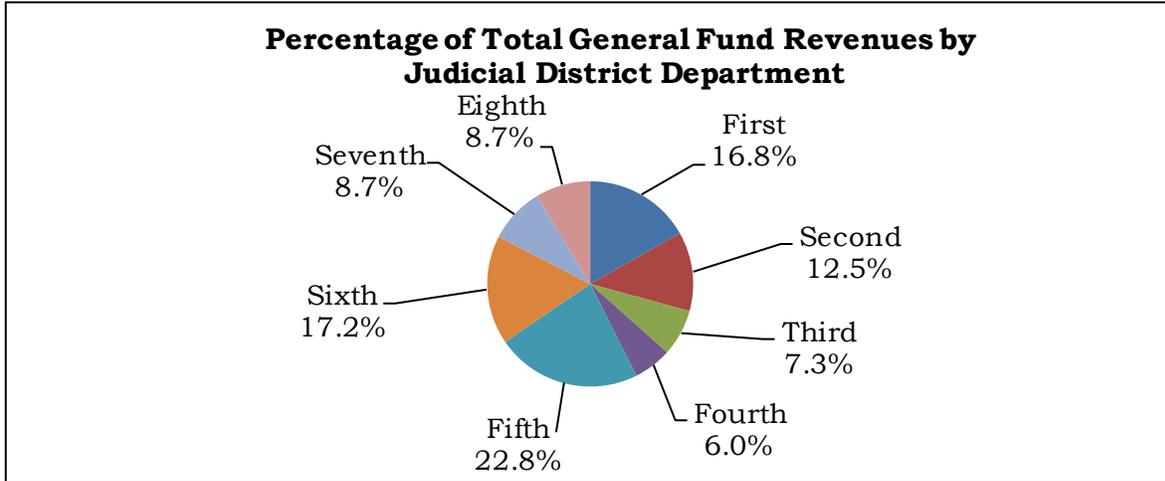
	First	Second	Third
Revenues:			
Net state appropriation allocation	\$ 14,229,038	10,962,969	6,877,176
Federal, state and local grants and contracts	1,039,890	627,237	-
Interest on investments	4,412	3,883	1,692
Fees, refunds and reimbursements	2,654,045	1,661,407	404,322
Rents and miscellaneous	50	47,921	551,805
Total revenues	17,927,435	13,303,417	7,834,995
Expenditures:			
Personal services	15,828,654	11,742,767	6,920,966
Travel and subsistence	64,831	142,189	64,453
Supplies	606,874	421,998	160,922
Contractual services	828,048	629,675	341,867
Equipment and repairs	225,706	138,775	78,137
Claims and miscellaneous	167,718	-	-
Plant improvements	-	7,912	-
Total expenditures	17,721,831	13,083,316	7,566,345
Excess (deficiency) of revenues over (under) expenditures	205,604	220,101	268,650
Fund balance beginning of the year	42,565	242,213	260,155
Fund balance end of the year	\$ 248,169	462,314	528,805

Judicial District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
5,540,309	19,424,255	14,394,610	7,120,422	8,005,453	86,554,232
85,358	239,230	735,980	94,000	19,394	2,841,089
94	4,739	4,380	2,090	3,647	24,937
745,665	4,613,760	3,033,185	2,106,696	1,204,497	16,423,577
21,137	90,473	152,188	-	10,743	874,317
6,392,563	24,372,457	18,320,343	9,323,208	9,243,734	106,718,152
5,518,467	21,634,764	15,354,051	8,273,244	7,874,712	93,147,625
63,746	119,359	101,445	67,269	70,565	693,857
304,881	331,878	576,882	457,091	313,129	3,173,655
370,793	2,364,628	794,509	748,105	652,077	6,729,702
59,243	201,113	1,110,762	14,176	189,505	2,017,417
16,114	64,360	200,801	33,192	147,475	629,660
114,939	-	255,051	-	-	377,902
6,448,183	24,716,102	18,393,501	9,593,077	9,247,463	106,769,818
(55,620)	(343,645)	(73,158)	(269,869)	(3,729)	(51,666)
87,100	440,685	199,121	331,210	374,777	1,977,826
31,480	97,040	125,963	61,341	371,048	1,926,160

Judicial District Departments

General Fund Revenues by Judicial District Department
(Unaudited)

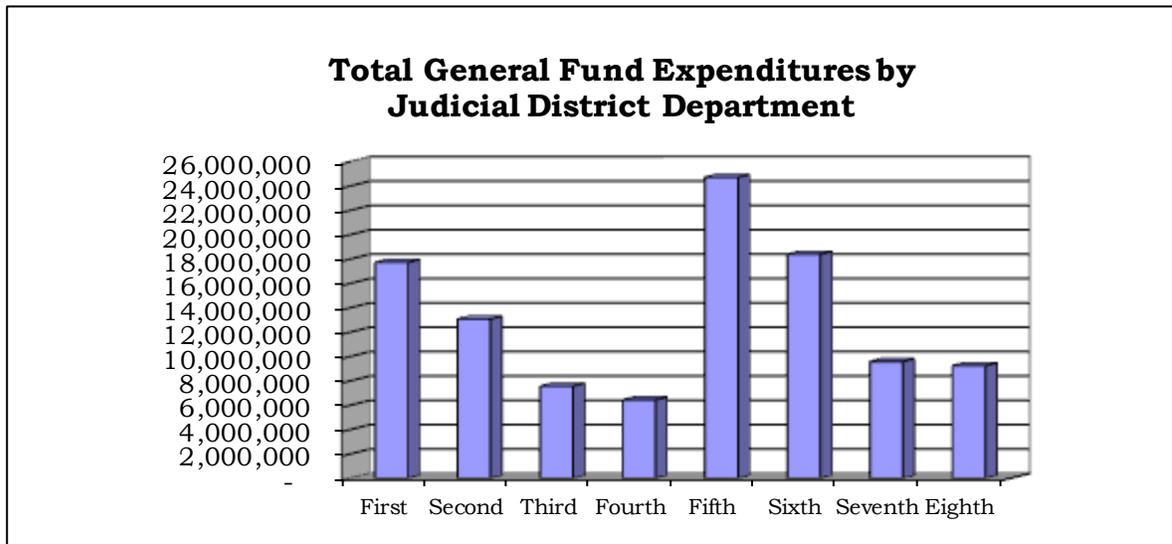
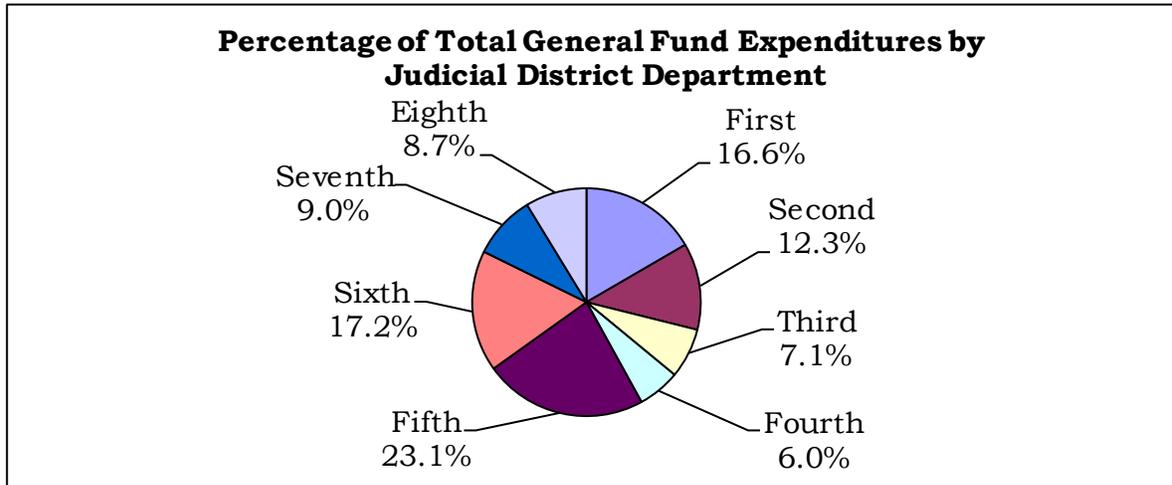
Year ended June 30, 2014



Judicial District Departments

General Fund Expenditures by Judicial District Department
(Unaudited)

Year ended June 30, 2014



Report of Recommendations to the
First Judicial District Department

June 30, 2014

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 the audit include:

Janell R. Wieland, Staff Auditor
Jenna M. Paysen, Assistant Auditor

Report of Recommendations to the
Second Judicial District Department

June 30, 2014

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 Finding Related to Internal Control:

Bank Reconciliations – The Client Assistance bank account was 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 resolve any variances in a timely manner. The District Department will examine reconciliation procedures and will train staff on those procedures to ensure those processes reduce and eliminate the potential of variances. Reconciliations and reviews between bank and book balances for each Center will occur timely and any discrepancies will be resolved accordingly.

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:

Tammy A. Hollingsworth, CIA, 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
Christian E. Cottingham, Assistant Auditor
Zachary J. Koziolk, Audit Intern

Report of Recommendations to the
Third Judicial District Department

June 30, 2014

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 Finding 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:

- a) Accounts payable were overstated by \$28,422.
- b) Revenues were understated by \$5,426.
- c) Expenditures were understated by \$5,347.

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

Response – The District Department will ensure the proper amounts are reported in the GAAP package. Currently, an independent individual reviews the GAAP package.

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
Anthony M. Heibult, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Christian E. Cottingham, Assistant Auditor
Nathaniel W. Packer, Assistant Auditor

Report of Recommendations to the
Fourth Judicial District Department

June 30, 2014

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:

Suzanne R. Dahlstorm, CPA, Manager
Megan E. Irvin, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Ryan J. Pithan, Staff Auditor
Daniel S. Nilsen, Assistant Auditor

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2014

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 Finding Related to Internal Control:

Agency Fund Disbursements – Client account disbursements are authorized and made in accordance with a weekly budget approved in consultation with individual clients. For one of the forty client account disbursements tested, the weekly budget contained no indication of approval by the client. The disbursement was only approved by the parole officer.

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 in the client's file through additional training and procedural updates as necessary.

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
Laura M. Wernimont, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Marcus B. Johnson, Staff Auditor
Jeremy L. Krajicek, Staff Auditor
Emma L. McGrane, Assistant Auditor

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2014

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 – preparing checks, signing checks 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 the reviews should be documented by the signature or initials of the reviewer and the date of the review.

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

Conclusion – Response accepted.

- (2) Loan Funds – The District maintains two checking accounts from which 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, through which 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 in 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 for writing off uncollectible accounts. Supporting documentation evidencing client authorization and receipts for items purchased with loan proceeds were not consistently maintained.

Disbursements from 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, 2014

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 and the District should discontinue the practice of writing checks to cash.

Response – This issue was self-reported to the Office of Auditor of State. The District Department does have a policy in regard to loan funds but has since updated it 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, 2013 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 2014 did not substantially change from the period covered under the review report 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 were 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 CCIA 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 District Department 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, 2014

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 District Department. The contract conditions include providing free office space and technical assistance to CCIA by the District Department. In addition, these contracts were approved by the 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 District Department.

Notwithstanding the above, when the special review by the Office of Auditor of State was received by the District Department 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 2014 and by June 1, 2014 all operations and personnel moved from the District Department 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.

Conclusion – Response accepted.

- (4) 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. Capital assets were overstated by \$42,472 due to an error in the calculation of depreciation expense.

Recommendation - The District Department should ensure the GAAP package information reported is complete and accurate. Depreciation should be calculated and reported to DAS-SAE accurately.

Response – The District Department will ensure depreciation is reported correctly in the future.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2014

Staff:

Questions or requests for further assistance should be directed to:

Donna F. Kruger, CPA, Manager
Brandon J. Vogel, Senior Auditor
Melissa E. Janssen, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Jesse J. Harthan, Assistant Auditor

Report of Recommendations to the
Seventh Judicial District Department

June 30, 2014

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:

Donna F. Kruger, CPA, Manager
Ramona E. Daly, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Marcus B. Johnson, Staff Auditor

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2014

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 Finding Related to Internal Control:

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 accounts for receipts and performs the bank reconciliation. The District Director initials the bank reconciliation.
- b) Payroll – Both the Administrative Officer and the Administrative Assistant have access to all employees' timesheets and are able to prepare and approve any employee's timesheet. The payroll journal is not independently reviewed and approved.

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. The payroll journal should be independently reviewed and approved.

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. Timesheet approval has been centralized for fiscal year 2015.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

Service Contracts – One of five contracts tested did not contain a duration clause as required by Chapter 119.4(4) of the Iowa Administrative Code

Recommendation – 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, 2014

Staff:

Questions or requests for further assistance should be directed to:

Brian R. Brustkern, CPA, Manager
Lucas D. Bernhard, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Daniel S. Nilsen, Assistant Auditor