



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

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Auditor of State

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NEWS RELEASE

FOR RELEASE

October 19, 2017

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, 2016.

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 \$6,855,055 at the Fourth Judicial District Department to \$26,438,431 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,695,125 at the Fourth Judicial District Department to \$26,480,712 at the Fifth Judicial District Department.

Mosiman made recommendations to strengthen internal controls 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 <https://auditor.iowa.gov/reports/1775-0000-OR00>.

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**COMBINED REPORT OF RECOMMENDATIONS TO THE
EIGHT JUDICIAL DISTRICT DEPARTMENTS OF
CORRECTIONAL SERVICES
JUNE 30, 2016**

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October 6, 2017

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, 2016.

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. 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, 2016.

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, 12, 13, 14, 15, 17, 18 and 20, and they are available to discuss these matters with you.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

cc: Honorable Kim Reynolds, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

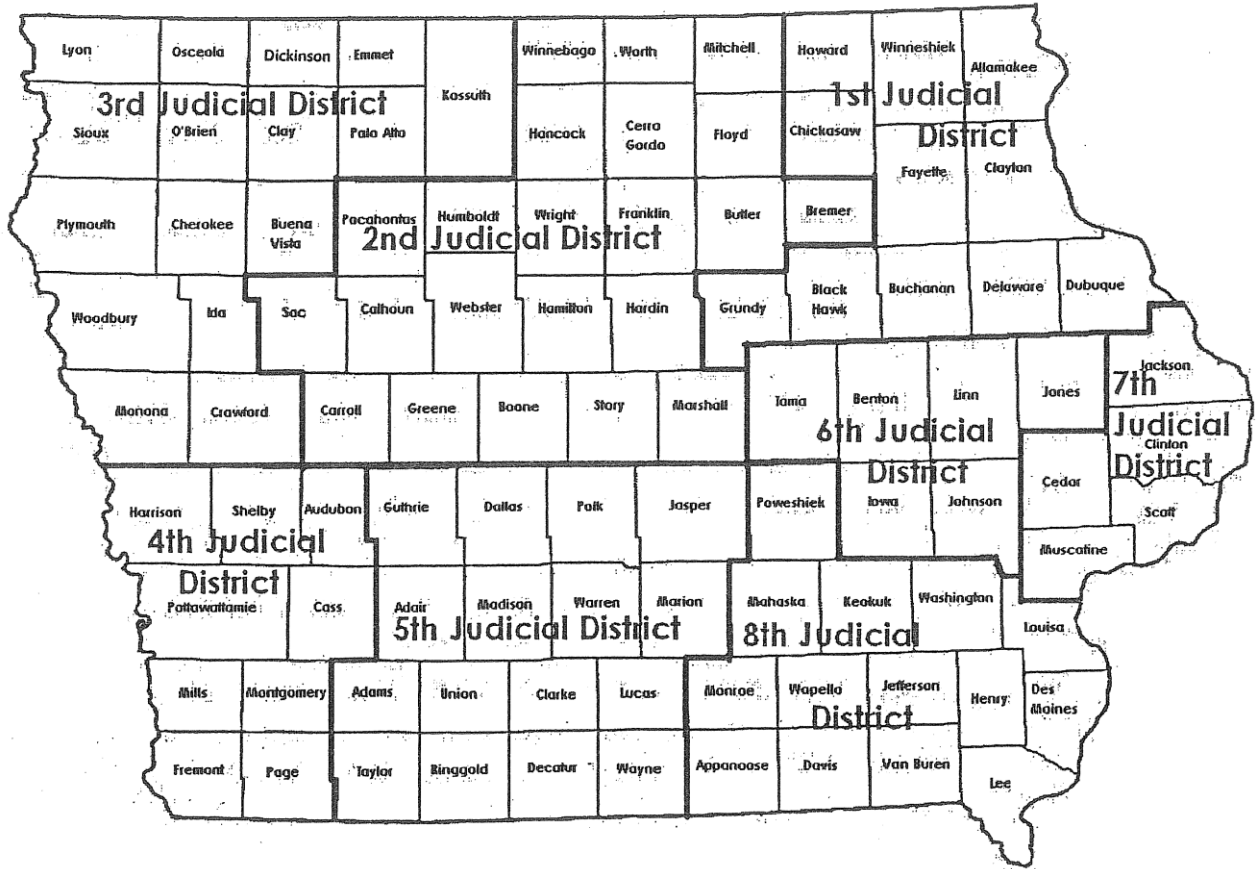
Eight Judicial District Departments of Correctional Services

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 \$6,855,055 at the Fourth Judicial District Department to \$26,438,431 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,695,125 at the Fourth Judicial District Department to \$26,480,712 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, 2016

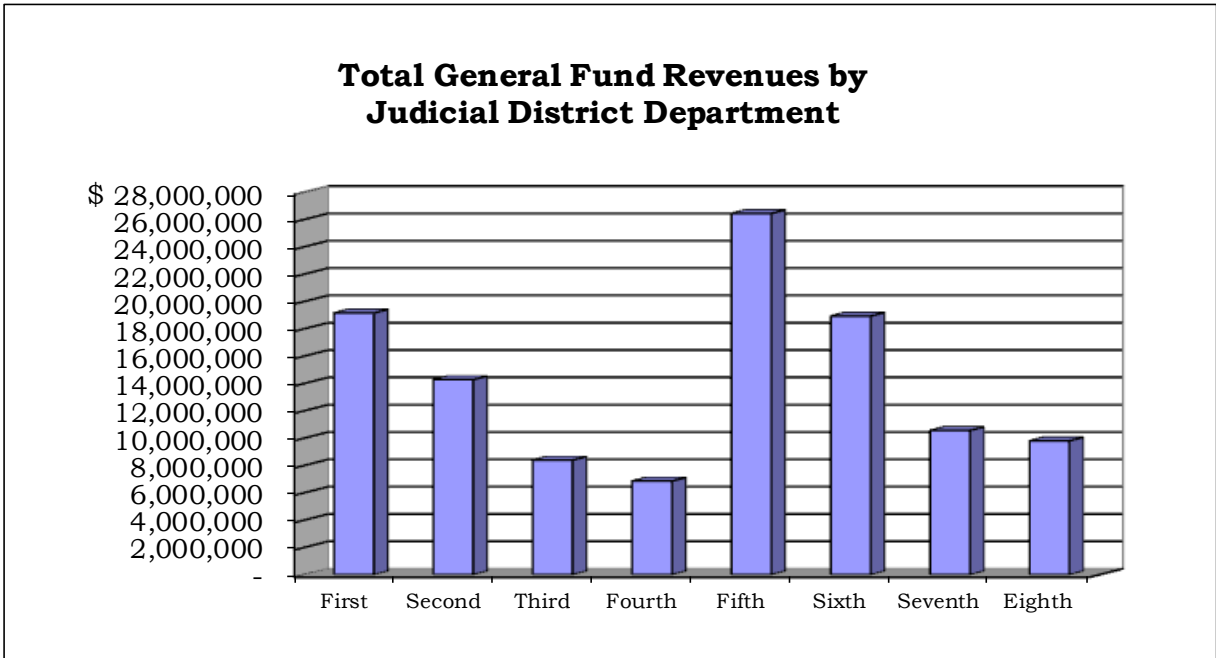
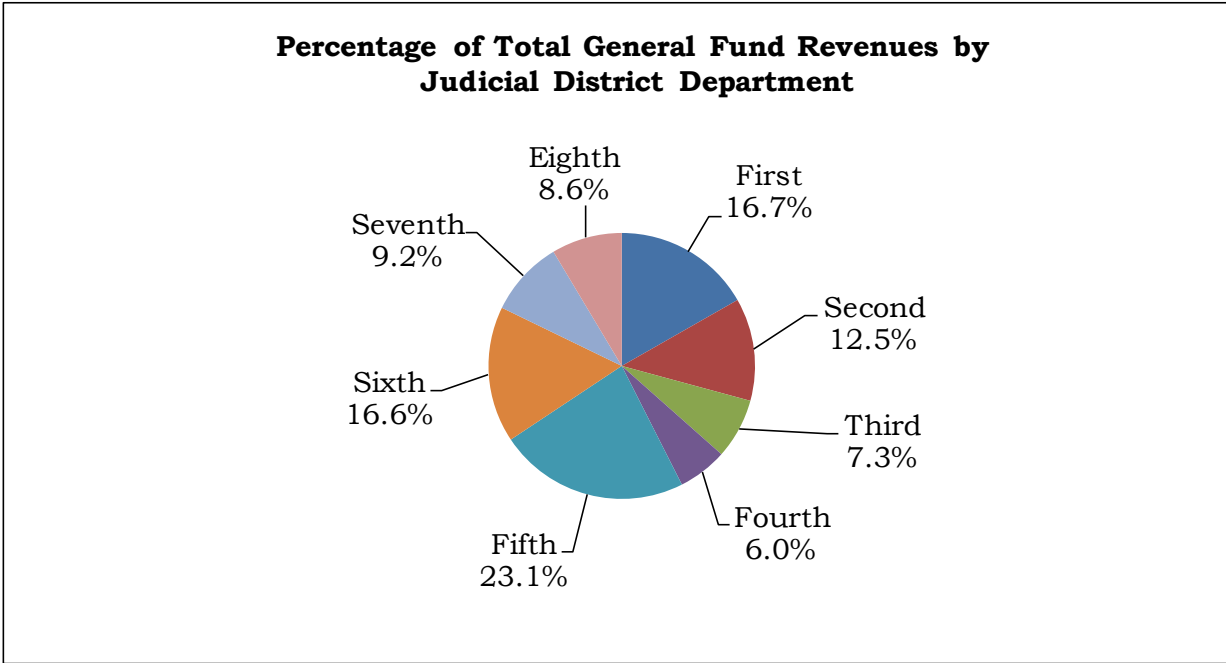
	Judicial		
	First	Second	Third
Revenues:			
Net state appropriation allocation	\$ 14,787,977	11,500,661	7,241,256
Federal, state and local grants and contracts	1,384,232	824,570	-
Interest on investments	6,079	10,369	1,763
Fees, refunds and reimbursements	2,977,458	1,836,109	436,399
Rents and miscellaneous	100	106,460	706,668
Total revenues	<u>19,155,846</u>	<u>14,278,169</u>	<u>8,386,086</u>
Expenditures:			
Personal services	16,872,156	12,128,535	7,801,927
Travel and subsistence	65,452	124,560	47,996
Supplies	629,091	519,736	170,701
Contractual services	1,033,606	852,274	400,649
Equipment and repairs	183,343	238,684	48,435
Claims and miscellaneous	33,933	-	20,300
Plant improvements	-	82,566	-
Total expenditures	<u>18,817,581</u>	<u>13,946,355</u>	<u>8,490,008</u>
Excess (deficiency) of revenues over (under) expenditures	338,265	331,814	(103,922)
Fund balance beginning of the year	<u>370,505</u>	<u>619,270</u>	<u>641,677</u>
Fund balance end of the year	<u>\$ 708,770</u>	<u>951,084</u>	<u>537,755</u>

District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
5,638,005	21,007,447	14,894,090	7,906,600	8,167,194	91,143,230
138,826	371,199	541,506	-	74,395	3,334,728
43	8,108	8,089	3,067	2,975	40,493
1,041,610	4,949,380	3,324,911	2,634,505	1,542,327	18,742,699
36,571	102,297	161,591	15,992	11,544	1,141,223
6,855,055	26,438,431	18,930,187	10,560,164	9,798,435	114,402,373
5,910,829	23,460,249	16,351,256	8,879,303	8,450,835	99,855,090
49,330	119,678	80,579	69,904	61,975	619,474
323,565	281,665	604,588	596,859	271,664	3,397,869
355,545	2,426,866	883,850	715,283	461,142	7,129,215
39,702	151,055	413,756	75,423	123,927	1,274,325
16,154	41,199	260,595	55,802	148,697	576,680
-	-	-	-	-	82,566
6,695,125	26,480,712	18,594,624	10,392,574	9,518,240	112,935,219
159,930	(42,281)	335,563	167,590	280,195	1,467,154
53,301	115,608	395,968	477,225	293,241	2,966,795
213,231	73,327	731,531	644,815	573,436	4,433,949

Judicial District Departments

General Fund Revenues by Judicial District Department
(Unaudited)

Year ended June 30, 2016

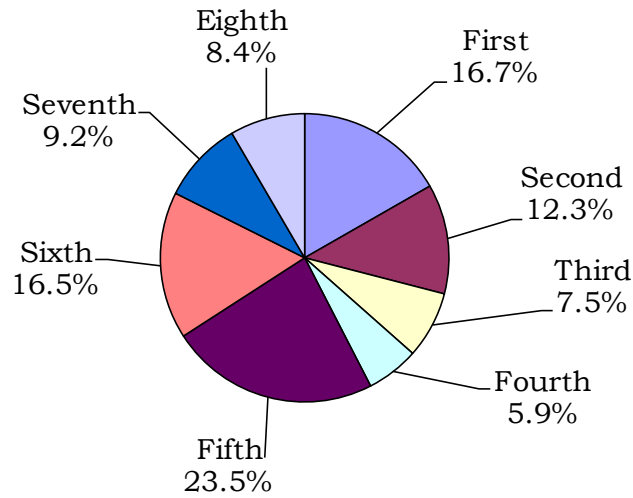


Judicial District Departments

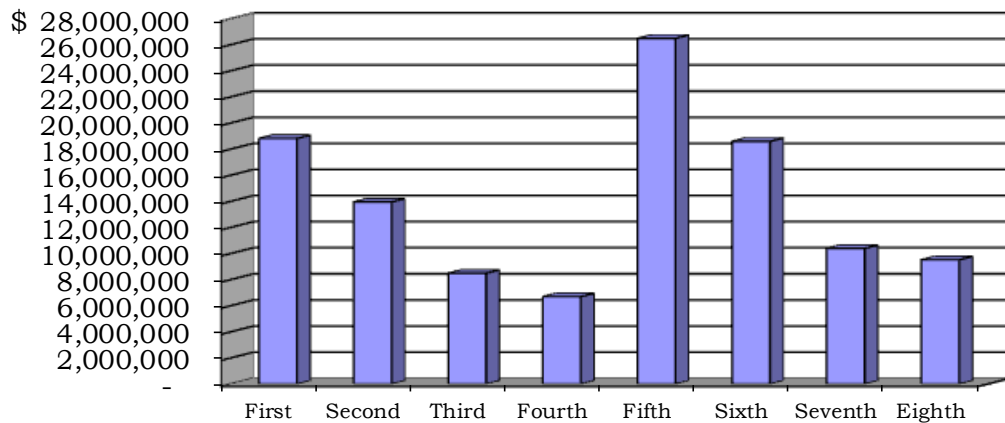
General Fund Expenditures by Judicial District Department
(Unaudited)

Year ended June 30, 2016

**Percentage of Total General Fund Expenditures by
Judicial District Department**



**Total General Fund Expenditures by
Judicial District Department**



Report of Recommendations to the
First Judicial District Department

June 30, 2016

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
Cole L. Hocker, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Robert Quinn Barret, Assistant Auditor
Jacob N. Bennett, Assistant Auditor

Report of Recommendations to the
Second Judicial District Department

June 30, 2016

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:

- (1) Bank Reconciliations – An effective internal control system provides for internal controls related to reconciling monthly bank statements to the book balance to ensure accuracy of the book balance. Bank reconciliations were not performed monthly for the client assistance accounts.

Recommendation – To improve financial accountability and control, the reconciliation of the book and bank balances should be prepared for all accounts and reviewed by an independent person and document their review by signing or initialing and dating the reconciliations.

Response – The District Department will ensure reconciliation processes are performed and completed for all bank and investment accounts for all months. Reconciliations will be prepared and reviewed by independent members of the Department's accounting staff, and any variances between bank and book balances will be resolved accordingly in a timely manner.

Conclusion – Response accepted.

- (2) Receipt Review – A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. For fifteen of twenty-five receipts tested the individual who signed as receiving and initiating the cash receipt also signed as the reviewer.

Recommendation – Someone independent of receiving and initiating cash receipts should review and initial the cash receipt.

Response – The District Department will strive to ensure that independent members within the Department's accounting staff review receipts and sign receipts. The Department's accounting staff, when all applicable positions are filled, will process receipts in a manner that allows for dual control of accounting procedures.

Conclusion – Response accepted.

Report of Recommendations to the
Second Judicial District Department

June 30, 2016

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Ashley J. Moser, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Zachery J. Koziolk, Staff Auditor
Brett S. Gillen, Assistant Auditor
Libby C. Lamfers, Assistant Auditor

Report of Recommendations to the
Third Judicial District Department

June 30, 2016

Findings Reported in the State's Single Audit Report:

No matters were noted.

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

No matters were noted.

Other Findings Related to Internal Control:

No matters were noted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Pamela J. Bormann, CPA, Manager
Ryan J. Pithan, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Taylor I. Cook, Assistant Auditor
Andrew J. Salwolke, Assistant Auditor

Report of Recommendations to the
Fourth Judicial District Department

June 30, 2016

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:

Katherine L. Rupp, CPA, Manager
Zachery J. Koziolk, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Preston R. Grygiel, Staff Auditor

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2016

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:

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:

Jennifer L. Wall, CPA, Manager
Michael Holowinski, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Elizabeth P. Dawson, Assistant Auditor
Andrew J. Salwolke, Assistant Auditor

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2016

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 disbursements (preparing checks, signing checks and recording) for which limited compensating controls exist for the residential client account.

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 initiated an additional level of review during the reconciliation process.

Conclusion – Response accepted.

- (2) Vacation Accrual – The District Department operates primarily on appropriation allocations from the State of Iowa and funding provided by the State for payroll costs. While most State employees' payroll is processed by DAS, each District processes payroll for its employees. Processing payroll includes determining net pay, accruing vacation and sick leave benefits and ensuring employees contribute the appropriate amount for their health, dental, and other benefits.

During our review, we determined management employees were allowed to accumulate an additional 80 hours of vacation. As a result, the maximum vacation accrual for several management employees was not properly calculated in accordance with section 70A.1 of the Code. However, the District Department implemented a policy which states employees hired, transferred, or promoted into a management position after June 13, 2014 are not entitled to the additional accrual cap.

Recommendation – District Department employees' accrued vacation should not exceed the maximum vacation accruals.

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2016

Response – The rate of accrual for management employees is the same as other employees. Iowa Code 905.2 maintains judicial district departments of correctional services as a state agency only for purposes in Chapter 669 and for no other purpose. Judicial district departments of correctional services are entities controlled by a community board of directors for the purpose of providing community-based corrections programs to meet the needs of each specific judicial district. These boards adopt bylaws and rules for conduct of their own business and the government of the district department’s community-based correctional programs and allow the district department to accept and use local financial support for their programs. Furthermore, the Board of Directors sets policies and ensures procedures for governing the personnel employed by the judicial district department of correctional services. The District Department will be modifying the vacation cap by the end of FY17.

Conclusion – Response accepted.

- (3) Financial Reporting – 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 the DAS-SAE by the first week of September each year. General Fund expenditures were overstated \$25,360 due to an error in recording prepaid expenses.

Recommendation – The District Department should ensure prepaid expenses are correctly recorded in the District Department’s financial statements.

Response – The District Department will review the GAAP package and record prepaid expenses accurately.

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
Jesse J. Harthan, Senior Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Sidot K. Shipley, Staff Auditor
Justin D. Jones, Assistant Auditor

Report of Recommendations to the
Seventh Judicial District Department

June 30, 2016

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.

Finding 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, CGFM, Manager
Kristin R. Finke, Assistant Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Cody J. Pifer, Assistant Auditor

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2016

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:

- (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 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 – An Account Tech has been hired to assist in segregating duties. The Administrative Assistant and Clerical Staff will collect and deposit revenue. The Account Tech will perform all related general ledger entries. The Administrative Officer will perform bank reconciliations. The District Director will review and initial all bank statements. Going forward the payroll journal will be prepared by the Personnel Specialist and the payroll journal will be reviewed and initialed by the Administrative Officer. The Personnel Specialist will have primary access to all employees' timesheets and the Administrative Officer will serve only as a backup in their absence.

Conclusion – Response accepted.

- (2) Youthful Offender Program – The Youthful Offender Program disbanded in 2009 and the bank balance of \$2,976 is maintained in a separate bank account but is not included in the District Department's financial statements.

Recommendation – Because the funds were donated to help youthful offenders the remaining cash needs to be used for the same purpose. The District Department should include the account in the District Department's financial statements and determine appropriate uses of the remaining cash.

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2016

Response – The Youthful Offender Program bank account will remain open but will now be reported on the District Department’s financial statement. The funds will be used to help youthful offenders in accordance with the original donations that funded the program.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

Katherine L. Rupp, CPA, Manager
Michael Holowinski, Staff Auditor
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audit include:

Christopher M. Anderson, Assistant Auditor
Taylor I. Cook, Assistant Auditor