



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

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**NEWS RELEASE**

FOR RELEASE

June 7, 2006

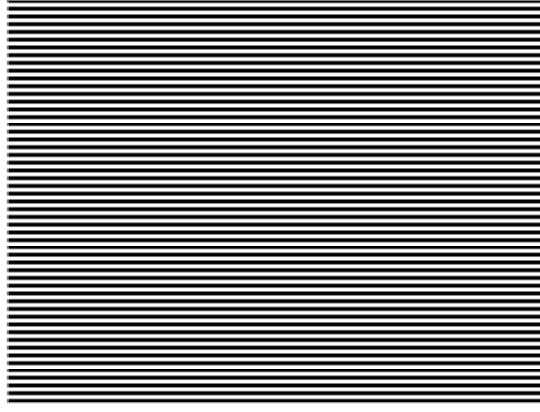
Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a report on the Iowa Judicial Branch for the year ended June 30, 2005. The Iowa Judicial Branch is comprised of the Supreme Court, the Court of Appeals, the District Court, the Clerk of Court and the Court Administrator.

The Iowa Judicial Branch's purpose is to exercise general, general appellate and original jurisdiction in civil and criminal cases and in all proceedings including probate and juvenile matters. The Iowa Judicial Branch determines rules for admission and discipline of the bar and adopts rules regulating appellate practice and procedures and promulgates regulations of the Commission on Judicial Qualifications, the Board of Law Examiners and the Board of Shorthand Reporters.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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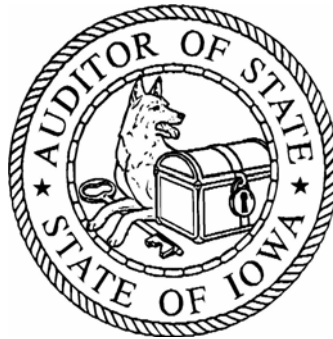
**REPORT OF RECOMMENDATIONS TO THE  
IOWA JUDICIAL BRANCH**

**JUNE 30, 2005**

Office of

**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



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



0660-4440-0000



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June 5, 2006

To the Iowa Judicial Branch:

The Iowa Judicial Branch is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2005.

In conducting our audits, we became aware of certain aspects concerning the Iowa Judicial Branch's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which pertain to the Iowa Judicial Branch's internal control. These recommendations have been discussed with Iowa Judicial Branch personnel and their responses to these recommendations are included in this report.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Judicial Branch, citizens of the State of Iowa and other parties to whom the Iowa Judicial Branch 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 Iowa Judicial Branch during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Iowa Judicial Branch are listed on page 7 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  
Michael L. Tramontina, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

Report of Recommendations to the Iowa Judicial Branch

June 30, 2005

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

No matters were noted.

**Findings Related to Internal Control:**

(A) Capital Assets – Chapter 7A.30 of the Code of Iowa requires each department and division of the State to maintain up-to-date inventory of all real and personal property belonging to the State. The following were noted:

- 1) Three assets tested did not have state tags affixed to them.
- 2) Two assets included in the capital asset records could not be located due to the asset being either donated or replaced under warranty.

Recommendation – The Iowa Judicial Branch should review its capital asset procedures to ensure accurate and current records are maintained.

Response – The records and tags for the five assets noted have been updated. We have reviewed our procedures to ensure accurate and current records are maintained.

Conclusion – Response accepted.

(B) GAAP Package – The GAAP Package is prepared by the Iowa Judicial Branch and submitted to the Iowa Department of Administrative Services, State Accounting Enterprise. The GAAP Package provides additional financial information that cannot be obtained from the State's Accounting System (I3). The GAAP Package completed by the Iowa Judicial Branch contained several errors which required subsequent corrections. Some of the errors included the following:

- 1) The capital assets balance was understated by \$845,602.
- 2) Accumulated depreciation for capital assets was understated by \$542,828.
- 3) Accounts receivable and the allowance for doubtful accounts were reported correctly in total, but were incorrectly allocated by revenue function.
- 4) The balance of cash not held by the Treasurer of State was understated by \$849,747.

Recommendation – The GAAP Package should be accurately completed and reviewed by management prior to submission.

Response – Due to turnover and inaccurate beginning balances, we had challenges with the GAAP report. However, we are confident that our next report will be more accurate.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

June 30, 2005

- (C) Sick Leave Conversion Liability – The Iowa Judicial Branch provides for payment of unused sick leave to employees upon retirement. Employees receive a cash payment for accumulated, unused sick leave, not to exceed \$2,000. The dollar amount is based upon the number of hours of sick leave accrued times the per hour wage at the time of retirement. Employees also convert their remaining unused sick leave balance to a bank for the purpose of purchasing health insurance after retirement. The Iowa Judicial Branch then pays the employer's share of health insurance premiums each month until the converted balance is exhausted or until the employee is eligible for Medicare.

This liability is reported in the GAAP Package, which is prepared by the Iowa Judicial Branch and submitted to the Iowa Department of Administrative Services, State Accounting Enterprise. The GAAP Package provides additional financial information that cannot be obtained from the State's Accounting System (I3). Numerous errors were noted in the calculation of the sick leave conversion liability, causing the ending balance to be overstated by \$152,590. Some of the errors included the following:

- 1) When converting the sick leave balance, the \$2,000 cash payment was not deducted from the balance for two employees.
- 2) There were numerous spreadsheet and formula errors.
- 3) For 11 employees, the approximate months remaining until age 65 was incorrect.
- 4) The spreadsheet used to track the health insurance premiums paid did not agree to the actual payments. The Iowa Judicial Branch does not reconcile these amounts.

As a result, converted sick leave balances and calculations of the Iowa Judicial Branch's liability were incorrect.

Recommendation – The Iowa Judicial Branch should review the sick leave liability calculation to determine and correct errors. The Iowa Judicial Branch should verify and reconcile actual payments made for health insurance premiums to the sick leave liability spreadsheet to help ensure each individual employee's balance/bank is accurate.

Response – We have reviewed our procedures and will review and reconcile our reports and payments.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

June 30, 2005

(D) Cancellation of Invoices – Certain invoices and supporting documentation were not appropriately marked as paid to prevent duplicate payment.

Recommendation – All invoices and supporting documentation should be properly canceled to prevent duplicate payment.

Response – With the new accounting system, the same invoice number cannot be paid twice. We will review our procedures to ensure proper cancellation of invoices.

Conclusion – Response accepted.

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

No matters were noted.

Report of Recommendations to the Iowa Judicial Branch

June 30, 2005

**Staff:**

Questions or requests for further assistance should be directed to:

Joe T. Marturello, CIA, Manager  
Tammy A. Wolterman, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Scott P. Boisen, Staff Auditor  
Andrew N. Pulford, Assistant Auditor  
Dorothy A. Stover, Assistant Auditor  
Janet M. Tiefenthaler, Assistant Auditor