



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

November 27, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released a combined report on the eight Judicial District Departments of Correctional Services for the year ended June 30, 2018.

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 \$6,774,026 at the Fourth Judicial District Department to \$27,244,077 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,646,198 at the Fourth Judicial District Department to \$26,743,398 at the Fifth Judicial District Department.

Sand 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 on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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

JUNE 30, 2018

Judicial District Departments



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

November 4, 2019

Iowa Department of Corrections
Des Moines, Iowa

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

I am pleased to submit to you the Report of Recommendations for the eight individual Judicial District Departments of Correctional Services for the year ended June 30, 2018. The report includes findings pertaining to the Department's internal control and compliance with statutory requirements and other matters which resulted from the fiscal year 2018 audits. This report also includes unaudited revenue, expenditure and fund balance information pertaining to each of the Judicial District Departments.

I appreciate the cooperation and courtesy extended by the officials and employees of the eight individual Judicial District Departments of Correctional Services throughout the audits. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

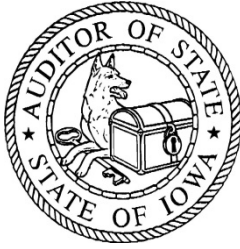
Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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November 4, 2019

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, 2018.

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, 2018.

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, 16, 17, 18 and 20, and they are available to discuss these matters with you.

Marlys K. Gaston, CPA
Deputy 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

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 \$6,774,026 at the Fourth Judicial District Department to \$27,244,077 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$6,646,198 at the Fourth Judicial District Department to \$26,743,398 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, 2018

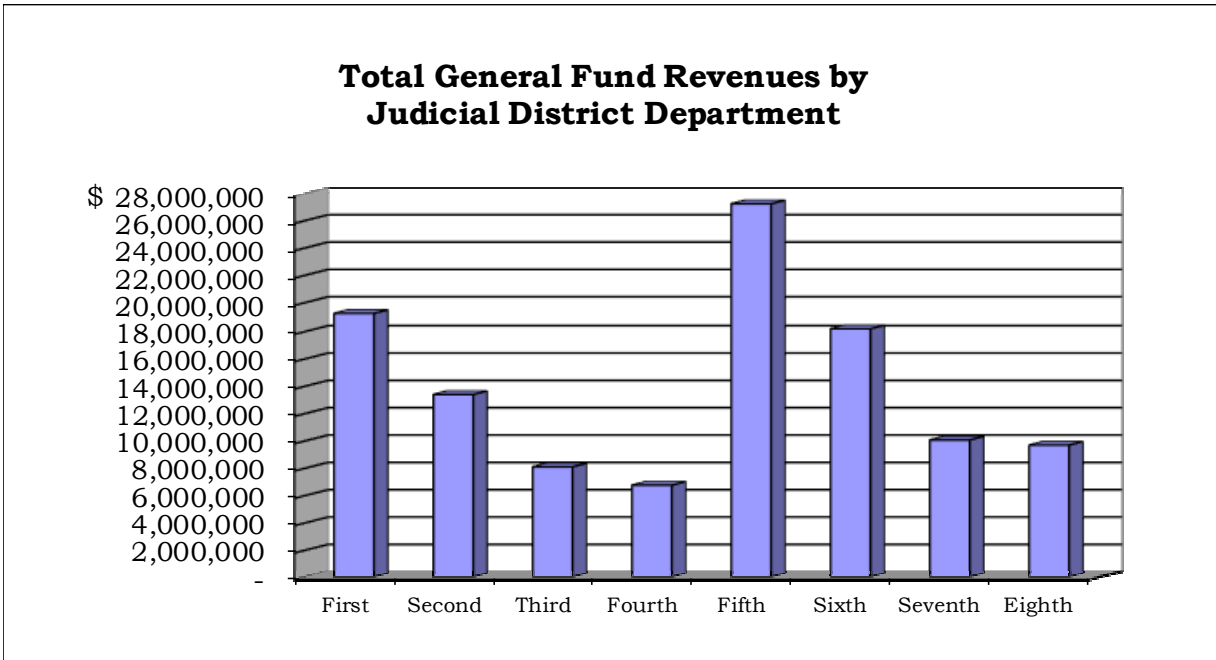
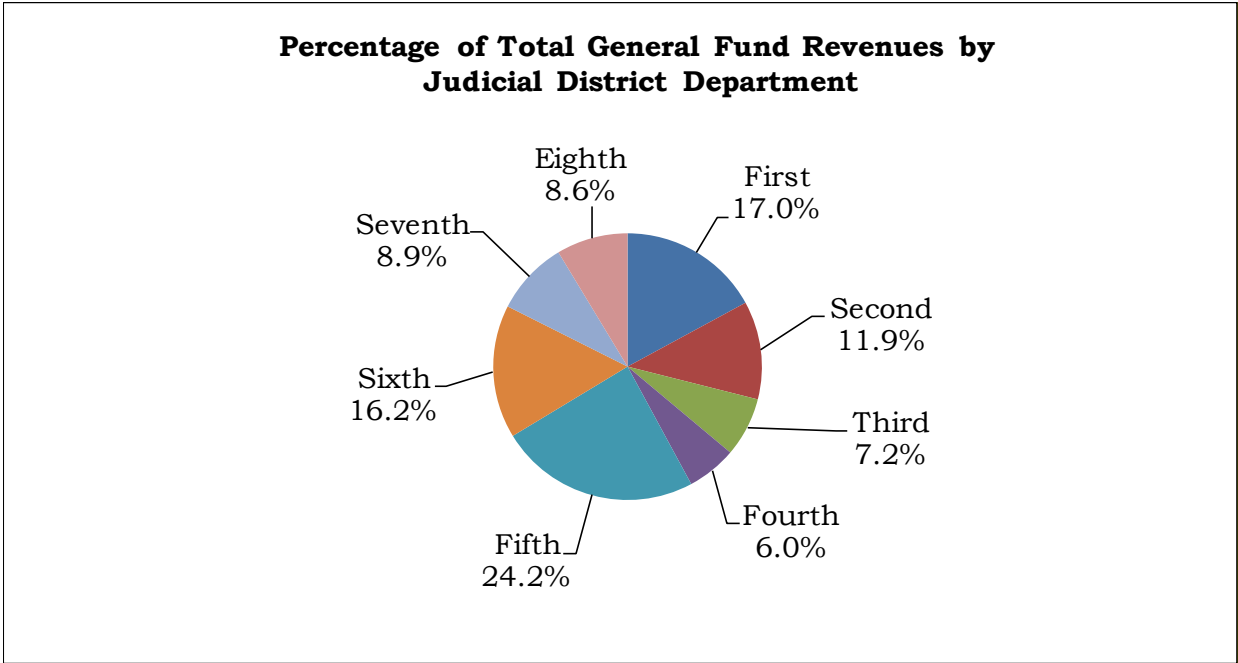
	Judicial		
	First	Second	Third
Revenues:			
Net state appropriation allocation	\$ 14,653,435	11,330,642	7,103,324
Federal, state and local grants and contracts	684,945	162,751	-
Interest on investments	5,002	28,680	1,859
Fees, refunds and reimbursements	3,880,753	1,798,090	1,009,925
Rents and miscellaneous	600	89,403	-
Total revenues	<u>19,224,735</u>	<u>13,409,566</u>	<u>8,115,108</u>
Expenditures:			
Personal services	17,125,409	12,310,029	7,100,714
Travel and subsistence	58,718	82,433	45,183
Supplies	654,509	386,020	166,524
Contractual services	1,056,498	839,012	397,026
Equipment and repairs	358,570	217,628	69,438
Claims and miscellaneous	50,420	-	24,486
Plant improvements	-	39,184	-
Total expenditures	<u>19,304,123</u>	<u>13,874,306</u>	<u>7,803,371</u>
Excess (deficiency) of revenues over (under) expenditures	(79,388)	(464,740)	311,737
Fund balance beginning of the year	<u>807,391</u>	<u>798,208</u>	<u>433,668</u>
Fund balance end of the year	<u>\$ 728,003</u>	<u>333,468</u>	<u>745,405</u>

District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
5,628,707	21,363,555	14,580,498	7,707,214	8,011,624	90,378,999
16,572	462,472	233,340	-	216,636	1,776,716
130	13,426	11,677	3,173	13,929	77,876
1,073,359	5,264,550	3,260,073	2,339,913	1,441,540	20,068,203
55,258	140,074	126,856	32,037	19,710	463,938
6,774,026	27,244,077	18,212,444	10,082,337	9,703,439	112,765,732
5,913,049	23,358,836	16,445,437	9,097,615	8,613,184	99,964,273
44,259	136,083	65,271	48,166	65,154	545,267
319,354	427,314	626,218	472,265	252,439	3,304,643
289,520	2,436,890	1,094,519	660,673	711,864	7,486,002
57,207	329,687	186,337	36,694	41,422	1,296,983
22,809	54,588	124,098	67,558	80,205	424,164
-	-	-	-	-	39,184
6,646,198	26,743,398	18,541,880	10,382,971	9,764,268	113,060,515
127,828	500,679	(329,436)	(300,634)	(60,829)	(294,783)
365,566	1,015,848	948,779	573,360	374,431	5,317,251
493,394	1,516,527	619,343	272,726	313,602	5,022,468

Judicial District Departments

General Fund Revenues by Judicial District Department
(Unaudited)

Year ended June 30, 2018

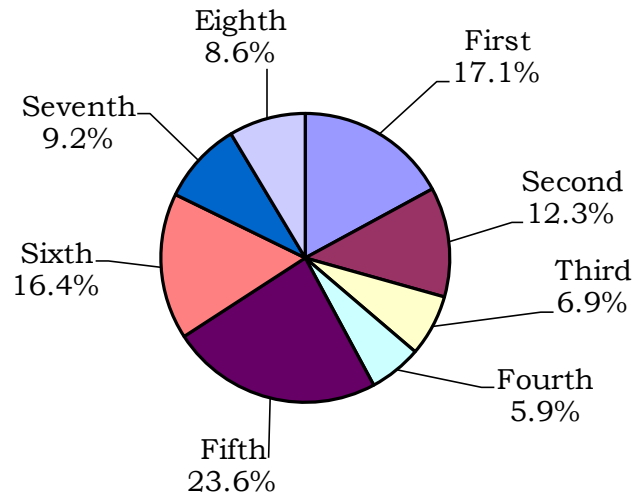


Judicial District Departments

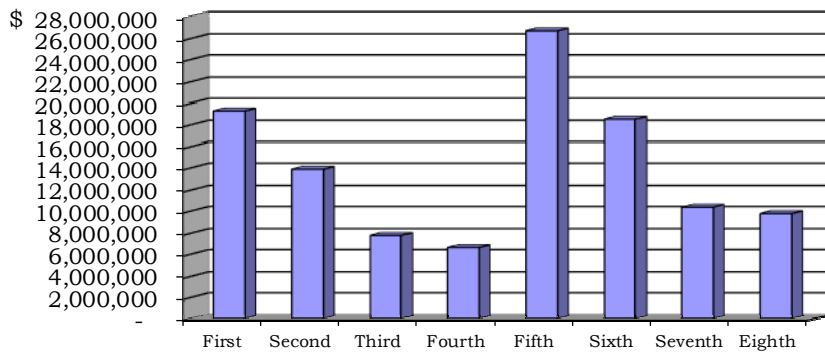
General Fund Expenditures by Judicial District Department
(Unaudited)

Year ended June 30, 2018

**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, 2018

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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:

Marlys K. Gaston, CPA, Deputy
Michelle B. Meyer, CPA, Manager
Kelly L. Hilton, Senior Auditor

Other individuals who participated in the audit include:

Matthew K. Nnanna, Assistant Auditor
Ronica H. Drury, Assistant Auditor

Report of Recommendations to the
Second Judicial District Department

June 30, 2018

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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. Certain bank reconciliations were not signed by the preparer or were not performed timely and certain bank reconciliations were not properly reviewed or were not reviewed timely.

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. The review should be documented by signing or initialing and dating the reconciliations.

Response – The District Department will perform reconciliation processes for all bank and investment accounts monthly and reconciliations will be documented by the preparer's signature and date. Reconciliations will be independently reviewed by members of the District Department's accounting staff monthly and be documented by the reviewer's signature and date. A master matrix has been created to indicate timely completion of account reconciliations and reviews and this matrix will be monitored monthly by District Department management. District Department policies regarding bank account reconciliations and reviews will be updated, if applicable, to require timely completion of reconciliations, timely review by an independent individual and require original bank statements, including electronic versions, be retained.

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 twelve of twenty-five receipts tested the individual who signed as receiving the cash and initiating the cash receipt transaction 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 hired an additional accounting staff member and can now provide further segregation of duties within its accounting processes. The District Department will implement procedures so independent members of the District Department's accounting staff receive and initiate cash receipts, enter and post cash receipts into the District Department's general ledger and review and initial those receipts. The District Department's accounting staff have reviewed current work duties and procedures regarding receiving/initiating cash receipts and reviewing completed receipts and is implementing updated workflows to ensure an adequate segregation of duties so

Report of Recommendations to the
Second Judicial District Department

June 30, 2018

receipts are processed in a manner which allows for dual-control of accounting procedures. District Department policies will be updated to reflect these procedural changes and will be reviewed and acknowledged by all District Department accounting staff and other staff as applicable.

Conclusion – Response accepted.

- (3) Initial Listing – An initial listing of checks received in the mail is not prepared and reviewed by an independent person.

Recommendation – A listing of checks received in the mail should be prepared by a person other than accounting personnel. The listing should be compared to the receipt records by an independent person.

Response – District Department staff proposed new procedures in this audit area to State Auditor’s Office staff during the fiscal year 2018 audit and received verbal approval of those procedures. District Department staff have created an electronic log for use as the initial listing of receipts. Appropriate District Department policies will be created and/or updated to address these new procedures, and applicable District Department staff will review/acknowledge those policies in addition to receiving training on these procedures. Implementation of these new procedures will occur as soon as possible so they are in place before the end of fiscal year 2019.

Conclusion – Response accepted.

- (4) Expenditures – District Department policy requires expenditures to be properly supported and requires two signatures on all checks and transfers between checking and investment accounts. Three expenditures tested were not supported by proper documentation and one expenditure tested did not have two signatures.

Recommendation – All expenditures should be supported by proper documentation and signed by two authorized signatures as required by District Department policy.

Response – The District Department will strive to ensure all proper documentation is attached to the appropriate expenditure before paying the expenditure. District Department staff will review its record keeping processes, make any needed improvements and strive to ensure all expenditures and associated documentation are properly retained. The District Department will also review and update, if needed, its internal audit process to ensure all checks issued by the District Department are signed by two authorized signers, per policy.

Conclusion – Response accepted.

- (5) System Fund Balance – As of April 18, 2019, the 2018 fiscal year ending balances for the accounting system had not been balanced, reconciled to supporting documentation and any necessary year end adjusting journal entries had not been processed.

Recommendation – The District Department should establish policies and procedures ensuring all funds are balanced and reconciled timely after the fiscal year end.

Report of Recommendations to the
Second Judicial District Department

June 30, 2018

Response – During fiscal year 2018, the District Department implemented a new accounting and general ledger computer software system, called MIP. The decision was made at the time of implementation to not merge balances from the District Department’s former general ledger system into the new MIP system until after the fiscal year 2018 audit was completed by the State Auditor’s Office, so any corrections needing to be made could be done in the appropriate software system. The merger of the ending balances from the former accounting system into MIP will now be completed during May 2019. Proof of these actions will be provided to the Auditor’s Office through reconciliation reports. For fiscal year 2019 and future fiscal years, the District Department will follow established policies and procedures to ensure all funds are balanced and reconciled timely after the fiscal year end.

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:

Marlys K. Gaston, CPA, Deputy
Pamela J. Bormann, CPA, Manager
Jenna M. Paysen, Senior Auditor

Other individuals who participated in the audit include:

Malika Moutiq, Staff Auditor
Taran E. McCusker, Staff Auditor
Brandon G. Sommers, Assistant Auditor

Report of Recommendations to the
Third Judicial District Department

June 30, 2018

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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:

Marlys K. Gaston, CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Brett S. Gillen, CPA, Staff Auditor

Other individuals who participated in the audit include:

Maria R. Collins, Assistant Auditor

Report of Recommendations to the
Fourth Judicial District Department

June 30, 2018

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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:

Marlys K. Gaston, CPA, Deputy
Katherine L. Rupp, CPA, Manager
Preston R. Grygiel, Senior Auditor

Other individuals who participated in the audit include:

Edward J. Schroder, Staff Auditor
Drake J. Caple, Assistant Auditor

Report of Recommendations to the
Fifth Judicial District Department

June 30, 2018

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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:

Marlys K. Gaston, CPA, Deputy
Jennifer L. Wall, CPA, Manager
Taylor I. Cook, Senior Auditor

Other individuals who participated in the audit include:

Terry J. Erlbachaer, Staff Auditor
Bianca M. Cleary, Assistant Auditor
Drake J. Caple, Assistant Auditor

Report of Recommendations to the
Sixth Judicial District Department

June 30, 2018

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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:

Marlys K. Gaston, CPA, Deputy
Janet K. Mortvedt, CPA, Manager
Jesse J. Harthan, Senior Auditor II

Other individuals who participated in the audit include:

Sidot K. Shipley, Senior Auditor
April R. Davenport, Assistant Auditor

Report of Recommendations to the
Seventh Judicial District Department

June 30, 2018

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

No matters were reported.

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:

Marlys K. Gaston, CPA, Deputy
Janet K. Mortvedt, CPA, Manager
Andrew J. Salwolke, Staff Auditor

Other individuals who participated in the audit include:

Ethan M. Snedigar, Assistant Auditor

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2018

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:

Financial Reporting – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the District Department's financial statements.

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 in September each year.

The District Department recorded payroll which was paid on July 5, 2018 as a reduction in cash rather than salaries payable. This reduced cash and salaries payable by \$154,529. Additionally, the District Department postdated three checks which were recorded in July 2018 but cleared the bank in June 2018. The GAAP package excluded these expenditures resulting in a \$12,688 understatement of expenditures.

Recommendation – The District Department should establish procedures to ensure all salaries payable are identified and properly reported in the GAAP package. Also, checks should not be postdated. The District Department should implement procedures to ensure information reported to DAS-SAE in the GAAP package is accurate.

Response – A year end checklist has been created which includes calculating and entering a payroll accrual journal entry for the last pay period of each fiscal year. We will continue to work towards training staff to help review the GAAP package. Also, a prepaid expense account has been added to the balance sheet to use when preparing checks for any new fiscal year business in June.

Conclusion – Response accepted.

Finding Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the
Eighth Judicial District Department

June 30, 2018

Staff:

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Deputy
Katherine L. Rupp, CPA, Manager
Jason J. Miller, Staff Auditor

Other individuals who participated in the audit include:

Molly N. Kalkwarf, Staff Auditor