



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

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NEWS RELEASE

FOR RELEASE \_\_\_\_\_ August 31, 2006

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a combined report on the eight Judicial District Departments of Correctional Services for the year ended June 30, 2005.

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 \$5,016,847 at the Fourth Judicial District Department to \$17,658,651 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$4,997,828 at the Fourth Judicial District Department to \$17,387,539 at the Fifth Judicial District Department.

Vaudt made recommendations to strengthen internal controls and comply with statutory requirements at certain District Departments. The District Department's responses are included in this report.

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

###

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

**JUNE 30, 2005**

Office of  
**AUDITOR  
OF STATE**  
State Capitol Building • Des Moines, Iowa



**David A. Vaudt, 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	10-11
Second Judicial District Department	12
Third Judicial District Department	13
Fourth Judicial District Department	14
Fifth Judicial District Department	15
Sixth Judicial District Department	16-17
Seventh Judicial District Department	18
Eighth Judicial District Department	19-20



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August 24, 2006

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

The eight individual Judicial 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, 2005.

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, 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.

We have also included certain unaudited financial information for the Judicial District Departments for the year ended June 30, 2005.

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 11, 12, 13, 14, 15, 17, 18 and 20 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

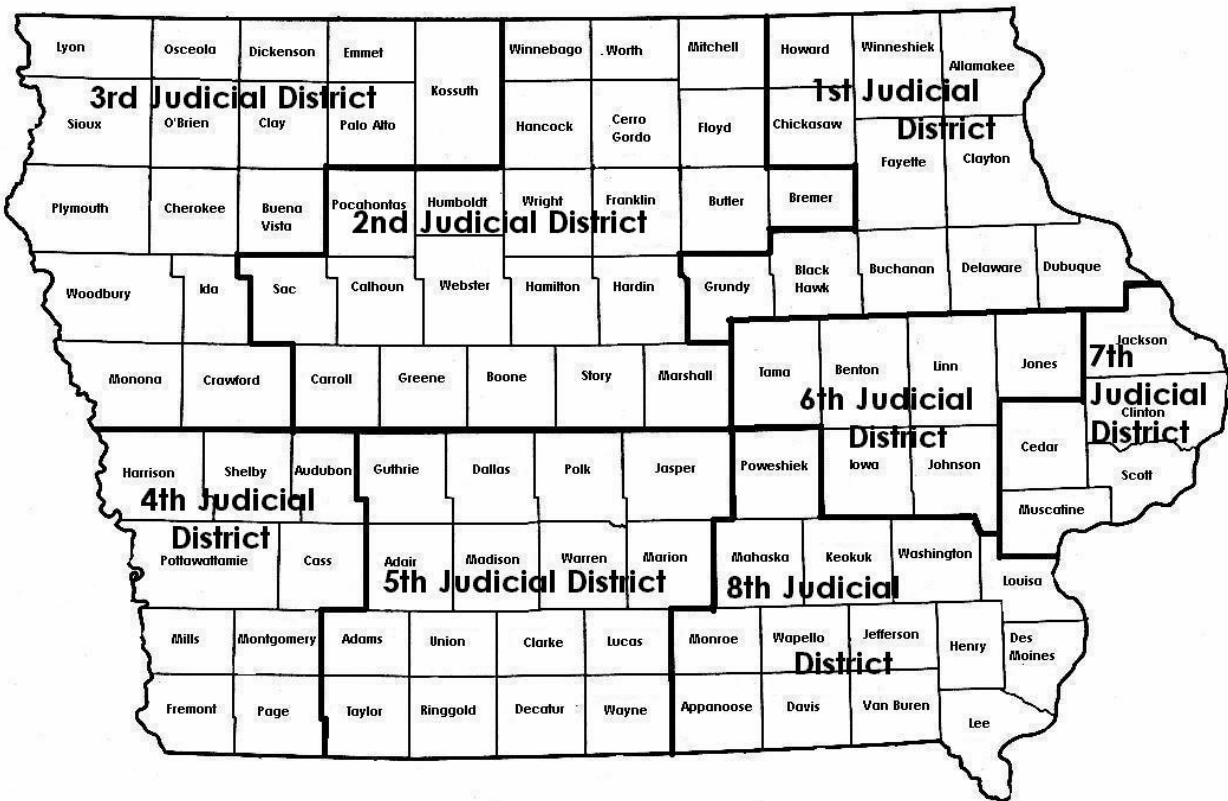
# Eight Judicial District Departments of Correctional Services

## 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. 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.



### Scope and Methodology

We have presented schedules of general fund revenues, expenditures and changes in fund balance by judicial 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 Districts 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.

## Eight Judicial District Departments of Correctional Services

### Overview

- (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 \$5,016,847 at the Fourth Judicial District Department to \$17,658,651 at the Fifth Judicial District Department. Similarly, total expenditures ranged from \$4,997,828 at the Fourth Judicial District Department to \$17,387,539 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, 2005

	First	Second	Third
Revenues:			
Net state appropriation allocation	\$ 10,215,157	8,030,935	4,713,228
Federal, state and local grants and contracts	1,220,053	507,807	-
Interest on investments	2,480	18,692	11,106
Fees, refunds and reimbursements	2,050,388	1,308,219	444,489
Rents and miscellaneous	-	37,062	364,374
Total revenues	13,488,078	9,902,715	5,533,197
Expenditures:			
Personal services	11,984,206	8,488,221	4,852,402
Travel and subsistence	79,090	92,132	50,835
Supplies	461,022	335,882	88,707
Contractual services	760,501	674,938	207,436
Equipment and repairs	67,083	191,111	34,276
Claims and miscellaneous	88,336	-	278,754
Plant improvements	-	-	-
Total expenditures	13,440,238	9,782,284	5,512,410
Excess (deficiency) of revenues over (under) expenditures	47,840	120,431	20,787
Fund balance beginning of the year	15,946	57,083	29,619
Fund balance end of the year	\$ 63,786	177,514	50,406

Judicial District Department					
Fourth	Fifth	Sixth	Seventh	Eighth	Total
4,467,844	13,387,804	10,127,564	5,697,909	5,768,451	62,408,892
12,305	133,250	908,960	399,471	56,219	3,238,064
3,648	45,044	28,388	8,095	9,965	127,417
523,947	4,067,404	1,952,320	1,363,608	800,387	12,510,761
9,103	25,149	50,917	11,045	8,078	505,729
5,016,847	17,658,651	13,068,148	7,480,128	6,643,099	78,790,863
4,316,214	14,237,125	11,211,079	6,313,738	5,434,141	66,837,126
62,308	129,941	46,385	72,306	62,842	595,839
191,299	701,826	514,307	351,706	334,804	2,979,554
382,214	1,752,593	389,554	709,812	637,339	5,514,387
45,793	358,975	314,055	23,755	79,173	1,114,222
-	207,079	181,688	22,589	65,637	844,083
-	-	231,986	-	-	231,986
4,997,828	17,387,539	12,889,054	7,493,906	6,613,937	78,117,196
19,019	271,112	179,094	(13,778)	29,163	673,668
102,767	425,644	142,131	44,804	5,446	823,440
121,786	696,756	321,225	31,026	34,609	1,497,107

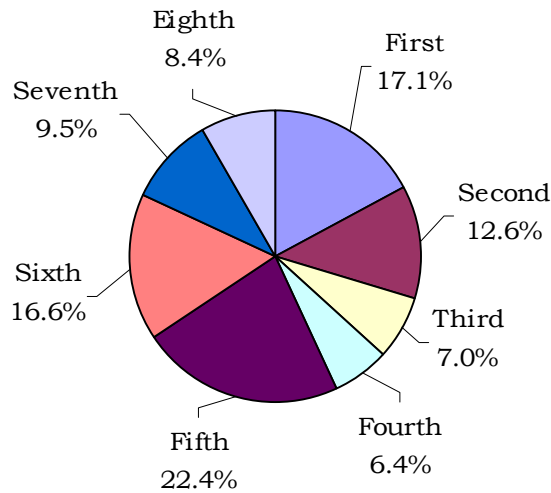


Judicial District Departments

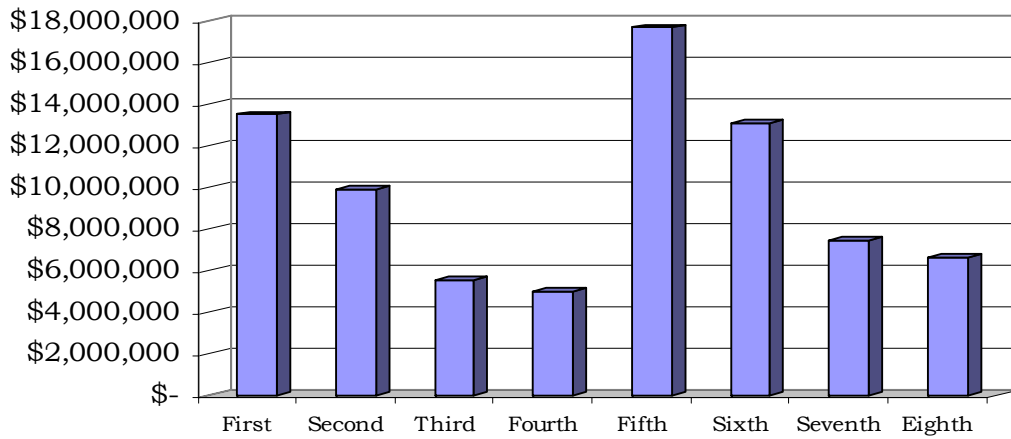
General Fund Revenues by Judicial District Department  
(Unaudited)

Year ended June 30, 2005

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



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

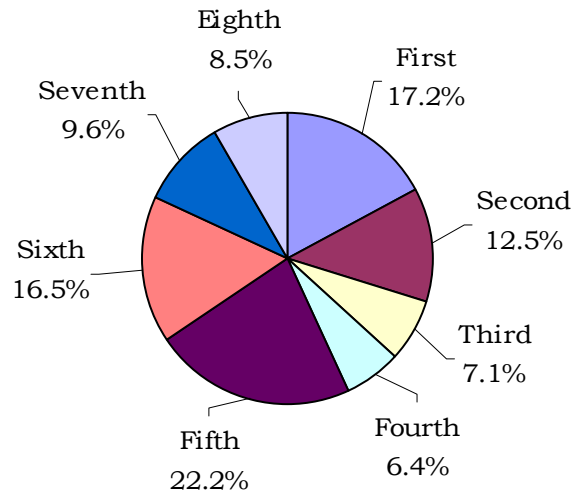


Judicial District Departments

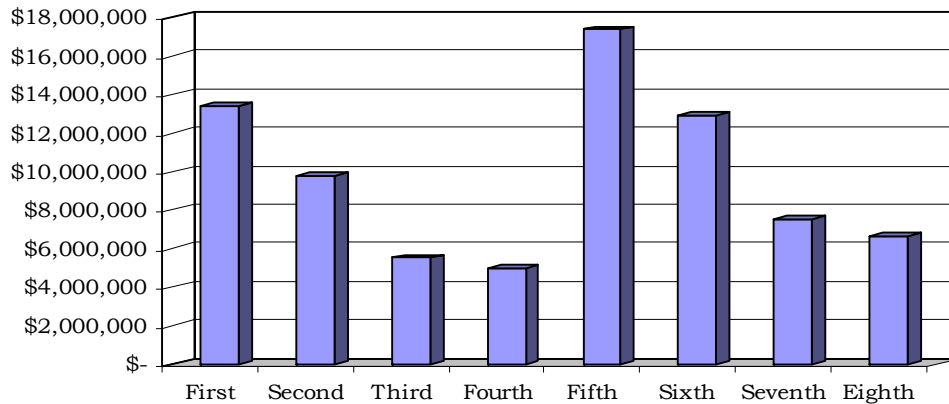
General Fund Expenditures by Judicial District Department  
(Unaudited)

Year ended June 30, 2005

**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, 2005

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

No matters were noted.

**Findings Related to Internal Control:**

Supervision Fees Receivable – District Departments are required to submit GAAP packages each year. The First Judicial District Department reported receivables for supervision fees. Reconciliations were not performed monthly for supervision fees receivable and a detailed listing of receivables at year end was not generated to support the amount reported in the GAAP package.

Recommendation – The First Judicial District Department should reconcile supervision fees receivable monthly and prepare a detailed listing of the receivables at year end to support the amount reported in the GAAP package.

Response – The current First Judicial District Department offender fee database is very cumbersome and somewhat difficult to run reports. Over a year ago, another District Department offered to expand their system to our District Department. This system has a built in balancing method and an array of reports programmed to meet any kind of request. Unfortunately, workload demands in the other District Department prevented their IT staff from working on the project and even though we were hopeful the changeover would be anytime, it didn't happen.

In Community-Based Corrections, our District Department is not alone in the need for a better system. There are only two web-based offender fee systems in the state that are designed to truly support this large database. A couple of months ago, there was a committee formed with at least one representative from each CBC district. This group was assigned the task of reviewing both systems to determine the best method to use in a combined statewide offender fee system. This system will have a balancing process built in to ensure accuracy and will provide any type of report requested. We hope to have this shared system up and operational in the summer of 2006.

Conclusion – Response accepted.

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

Program Fee – Effective November 1, 2004, the District Department assessed a program fee of \$50 in lieu of group fees. According to the District Department, the program fee is intended to defray the cost of treatment services.

The District Department adopted a policy and issued a "Notification of Program Fee" to the offenders to inform them of the fee.

The following were noted:

- (a) The District Department could not identify a specific chapter within the Code of Iowa which authorizes the collection of this fee.
- (b) Neither the District Department nor a representative from the Attorney General's (AG) office provided written documentation showing the AG's office considers this fee to be legal.

Report of Recommendations to the  
First Judicial District Department

June 30, 2005

Recommendation – The District Department should obtain a written opinion from the AG’s Office to determine the legality of the program fee.

Response – For the last fifteen years or so, the First Judicial District Department and most of the other seven District Departments have charged a group fee per session to offenders receiving treatment services. The cost per session has varied between District Departments, but the average is about \$10 per session. Most groups meet once a week with some groups scheduled with a predetermined ending date, i.e. twelve weeks, while other groups continue as long as the offender is under supervision. The weekly group fee collection process includes facilitators, usually probation/parole officers, collecting the money, writing receipts, balancing the money with receipts, submitting the money to Waterloo and maintaining an accounts receivable listing on offenders who are delinquent in paying.

In the last four years, probation/parole officer caseloads have soared, while we have not been able to hire additional staff because of budget shortfalls. We were constantly looking at ways to lessen their ever-increasing workload without reducing revenues and services. This is when the program fee was devised and implemented. The one-time program fee of \$50 was charged to offenders assessed at a supervision level that warrants services including, but not limited to: department provided treatment groups, assessments, DNA sampling, urinalysis testing and electronic monitoring hook-ups. This fee was assessed and tracked in the offender fee database and money collected by trained clerical staff who also collect, balance and submit supervision fee payments to administration. The entire fee collection process was removed from probation/parole officers so that they have more time to address the needs of their offenders. Additionally, this change streamlined the fee collection process to only a few trained individuals within the District Department, while we were still able to collect approximately the same amount of revenue as collected with individual group fees.

Current legislation calls for an increase of the supervision fee from \$250 to \$300. The Governor has yet to sign the bill. However, Iowa Department of Corrections central office has indicated the Governor intends to approve the change. When this increase takes effect in July 2006, we will discontinue the program fee altogether.

Conclusion – Response acknowledged. HF2558 was signed by the Governor and the fee increase became effective July 1, 2006.

**Staff:**

Questions or requests for further assistance should be directed to:

Cynthia L. Weber, CPA, Manager  
Darryl J. Brumm, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Tracy L. Haronik, Assistant Auditor  
Bradley A. Meisterling, Assistant Auditor

Report of Recommendations to the  
Second Judicial District Department

June 30, 2005

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

No matters were noted.

**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:

Kay F. Dunn, CPA, Manager  
Patricia J. King, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Andrew J. Muff, Assistant Auditor  
Ryan J. Sisson, Assistant Auditor

Report of Recommendations to the  
Third Judicial District Department

June 30, 2005

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

No matters were noted.

**Findings Related to Internal Control:**

- (1) Mail Receipts – Incoming mail is opened by an employee who is independent of the accounting process. However, an initial listing of cash and checks is not prepared by the mail opener.

Recommendation – An initial listing of receipts should be prepared by the mail opener and given to an independent person for comparison to the cash receipt records.

Response – The District Department agrees with the finding and will implement the recommendation.

Conclusion – Response accepted.

- (2) Information System – Supervisors have been given the authority to reset their employees' passwords when needed.

Recommendation – To strengthen controls over the information system, only the system administrator and one back-up should be able to reset passwords.

Response – The District Department agrees with the finding and will implement the recommendation.

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:

Steven M. Nottger, CPA, Manager  
Karen J. Kibbe, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Michelle L. Harris, Assistant Auditor

Report of Recommendations to the  
Fourth Judicial District Department

June 30, 2005

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

No matters were noted.

**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:

Joe T. Marturello, CIA, Manager  
Janet M. Tiefenthaler, Assistant Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Nickolas J. Schaul, Assistant Auditor

Report of Recommendations to the  
Fifth Judicial District Department

June 30, 2005

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

No matters were noted.

**Findings Related to Internal Control:**

Client Account Receipts – In accordance with the District Department's policy manual, clients (offenders) housed at the residential facility are required to submit paychecks and other receipts to the District Department's staff for deposit.

Certain checks received in the mail for clients transferred from other Iowa Department of Corrections (DOC) institutions were not directly deposited in the DOC Banking System and were given to the client to cash and use for personal hygiene and other items.

Recommendation – To strengthen controls over client receipts, all moneys received for clients should be directly deposited in the DOC Banking System.

Response – Currently, all client receipts are deposited by the District Department into the DOC Banking System.

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:

K. David Voy, CPA, Manager  
Sarah D. Nelson, CPA, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Joseph M. Seuntjens, Assistant Auditor  
Janet M. Tiefenthaler, Assistant Auditor  
Jennifer L. Wall, Assistant Auditor



Report of Recommendations to the  
Sixth Judicial District Department

June 30, 2005

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

No matters were noted.

**Findings Related to Internal Control:**

- (1) Supervision Fees Receivable – District Departments are required to submit GAAP packages each year. The Sixth Judicial District Department reported receivables for supervision fees. Reconciliations were not performed monthly for supervision fees receivable.

Recommendation – The Sixth Judicial District Department should reconcile the supervision fees receivable monthly.

Response – A monthly reconciliation of the supervision fees was started in October 2005. The reconciliation uses the ending balance of outstanding fees from the previous month, adds the fees assessed for the month and subtracts fees paid or waived for the month. The ending balance will match the beginning balance for the next month.

Conclusion – Response accepted.

- (2) Segregation of Duties – Client Receipts – Clients (offenders) housed at the residential facility are required to submit paychecks, miscellaneous receipts, etc. to Sixth Judicial District staff for deposit. A Residential Officer or Parole/Probation Officer takes possession of the check/money order and enters the information into the DOC Banking System.

Several times a week, a courier collects the checks/money orders and delivers them to the Client Banking Accountant (Accountant). The Accountant prints a report from the DOC Banking System called the CBC Auto Holds By Living Unit Report (CBC Report).

The Accountant then reconciles the checks/money orders received to the information on the CBC Report. Once reconciled, the Accountant continues the processing/recording of the receipts on the DOC Banking System and her ledger, prepares the deposit, takes the deposit to the bank and files the validated deposit slip.

There is not an independent review of the information on the CBC Report to the amount deposited.

Also, the Accountant prepares the monthly bank reconciliation for the Client Banking account. An independent person does not reconcile the Client Banking account.

Recommendation – To strengthen controls over client receipts, the Accountant and an independent person should reconcile the CBC Report to the checks/money orders received and document their review/acceptance of the information. In addition, an independent person should compare the CBC Report to the validated deposit slip. Finally, the Client Banking account should be reconciled by someone independent of Client account receipts and disbursements.

Response – The Client Banking Accountant and the Administrative Division Manager will reconcile the receipts from the client to the CBC Report. The Administrative Division Manager will review the bank deposit slip. An Accountant, other than the Client Banking Accountant, will reconcile the Client Banking bank statement each month.

Conclusion – Response accepted.

Report of Recommendations to the  
Sixth Judicial District Department

June 30, 2005

- (3) Bank Reconciliations – A review of the monthly bank reconciliations for the Client Banking account identified several adjustments/reconciling items that have not been posted to the general ledger in a timely manner. Some of the adjustments/reconciling items have been reported on the bank reconciliations for several years.

Recommendation – The District Department should ensure adjustments/reconciling items reported on the monthly bank reconciliations for the Client Banking account are posted to the general ledger in a timely manner.

Response – Adjustments to the Client Banking account will be resolved in a timely manner.

Conclusion – Response accepted.

- (4) Purchasing Procedures – On June 22, 2005, the District Department received funds from a supplemental appropriation totaling \$40,500. The District Department decided to purchase drug testing supplies with this money and, on the same day, issued a check for \$30,000 to Drug Testing Services, Inc.

The District Department did not complete or approve a purchase order for the drug testing supplies prior to issuing this check. Subsequent purchase orders were prepared and approved on June 28, 2005. The drug testing supplies were not received until July 15, 2005.

Recommendation – The District Department should ensure purchase orders are properly prepared and approved prior to ordering goods/services. Also, the District Department should ensure goods/services are received prior to paying the vendor.

Response – Purchase orders (PO) will be issued in a timely manner. Any prepayment will be outlined on the PO and included in 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:

Cynthia L. Weber, CPA, Manager  
Daniel L. Grady, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Jennifer S. Reynolds, Assistant Auditor

Report of Recommendations to the  
Seventh Judicial District Department

June 30, 2005

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

No matters were noted.

**Findings Related to Internal Control:**

No matters were noted.

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

Iowa Department of Corrections Annual Report – In accordance with Section 4.2.6 of the Purchase of Service Agreement, District Departments are required to submit an annual report to the Iowa Department of Corrections by December 1<sup>st</sup> for the previous fiscal year. The Seventh Judicial District Department did not submit the required annual report for June 30, 2005 by December 1, 2005.

Recommendation – The Seventh Judicial District Department should submit the annual report to the Iowa Department of Corrections by December 1<sup>st</sup> to comply with the Purchase of Service Agreement.

Response – Events occurred which delayed the preparation and submission of the annual report past intended timeframes. In order to avoid a similar problem in future years, the annual report preparation process will begin earlier to ensure the December 1<sup>st</sup> requirement is met.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Manager  
Carmon K. Kutcher, Assistant Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Nickolas J. Schaul, Assistant Auditor

Report of Recommendations to the  
Eighth Judicial District Department

June 30, 2005

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

No matters were noted.

**Findings Related to Internal Control:**

- (1) Segregation of Duties (Fairfield Administrative Office) – The responsibilities for collection, deposit preparation and reconciliation functions should be separated from those for recording and accounting for receipts. Currently, the administrative accountant prepares the deposit, deposits the receipts, accounts for receipts and performs the bank reconciliation. The District Director initials the bank reconciliations.

Recommendation – Someone independent of the receipts process should compare the receipts to the cash and checks collected, compare the receipts to an authorized deposit slip and initial to indicate their review.

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

Conclusion – Response accepted.

- (2) Supervision Fees Receivable – District Departments are required to submit GAAP packages each year. The Eighth Judicial District Department reported receivables for supervision fees. A detailed listing of receivables at year end was not generated to support the amount in the GAAP package.

Recommendation – The Eighth Judicial District Department should prepare a detailed listing of the receivables at year end to support the amount reported in the GAAP package.

Response – The Eighth Judicial District Department is in the process of implementing a fees program which will give us the capability to run reports in detail.

Conclusion – Response accepted.

- (3) Contract Renewal – Three of six contracts tested were not current for fiscal year 2005. The remaining three contracts were effective July 1, 2001 with unlimited renewable terms. In addition, one of six contracts tested did not contain a clause denoting compliance with applicable laws and regulations or a clause regarding the assignment of the contract.

Recommendation – Contracts should be renewed when they expire if services are being continued. Contracts should also contain a fixed or determinable agreement period. In addition, to ensure proper control procedures, contracts should include all appropriate clauses.

Response – The District Department has continued contracts with the same providers for several years. Beginning FY 07 (July 1, 2006), contracts will be renewed in writing when they expire. Contracts containing a fixed or determinate agreement period shall be for a period of no more than three years. All new contracts shall contain the appropriate clauses as recommended by the state auditor staff.

Conclusion – Response accepted.

Report of Recommendations to the  
Eighth Judicial District Department

June 30, 2005

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

Iowa Department of Corrections Annual Report – In accordance with Section 4.2.6 of the Purchase of Service Agreement, District Departments are required to submit an annual report to the Iowa Department of Corrections by December 1<sup>st</sup> for the previous fiscal year. The Eighth Judicial District Department did not submit the required annual report for June 30, 2005 by December 1, 2005.

Recommendation – The Eighth Judicial District Department should submit the annual report to the Iowa Department of Corrections by December 1<sup>st</sup> to comply with the Purchase of Service Agreement.

Response – The District Department has submitted the indicated annual report to the Iowa Department of Corrections (DOC) as of June 6, 2006. The District Department will submit future annual reports to the DOC in a timely manner.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Suzanne R. Hanft, CPA, Manager  
Jessica L. Christensen, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Curtis E. Van Zee, Assistant Auditor