



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

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NEWS RELEASE

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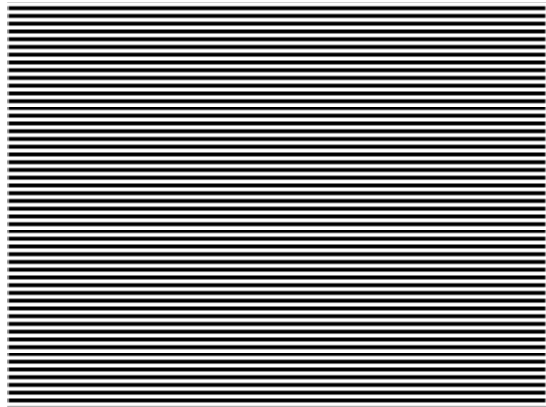
Auditor of State David A. Vaudt today released a report on the Iowa Judicial Branch – County Clerks of District Courts, a part of the State of Iowa, for the year ended June 30, 2005.

The Judicial Branch provides court services through the County Clerks of District Courts in each of Iowa's 99 counties. The County Clerks of District Courts are responsible for providing, managing and maintaining document processing activities of civil, probate, criminal, juvenile, traffic, child support and small claims for the courts. They also collect, deposit, disburse and account for all fees and other monies paid to the County Clerks of District Courts' offices.

Vaudt made recommendations to improve segregation of duties in the various County Clerks of District Courts' offices and strengthen controls over cash receipts, cash disbursements and financial reporting. Vaudt also made recommendations to improve various aspects of the Iowa Court Information System. Judicial Branch officials responded to each item in the report and stated corrective action is being taken.

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 –
COUNTY CLERKS OF DISTRICT COURTS**

JUNE 30, 2005

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State





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August 31, 2006

To the Iowa Judicial Branch:

The Iowa Judicial Branch – County Clerks of District Courts 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 – County Clerks of District Courts’ 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 the recommendations which pertain to the Iowa Judicial Branch – County Clerks of District Courts’ internal control, compliance with statutory requirements and other matters. The 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 – County Clerks of District Courts 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 12 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

County Clerks of District Courts

June 30, 2005

Findings Reported in the State's Single Audit:

No matters were noted.

Findings Related to Internal Control:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County Clerks of District Courts' financial statements.

The following procedures or compensating controls have not been implemented in certain County Clerk of District Court Offices:

- (1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of all cash and a random listing of checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipts records by an independent person for propriety. The independent review should be evidenced by the reviewer's initials or signature and the date of review.
- (2) Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording and accounting for disbursements.
- (3) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. As a compensating control, bank reconciliations could be reviewed monthly by an independent person for propriety. The independent review should be evidenced by the reviewer's initials or signature and the date of the review.
- (4) Checks are not signed by an individual who does not record cash receipts, approve disbursements or otherwise participate in the preparation of checks. Prior to signing, the checks and supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to the individual who prepared the checks or approved the disbursements.
- (5) Receipts are not posted to ICIS by an individual not responsible for setting up the case on the system.
- (6) The individual who opens the mail is authorized to make entries to the accounting records and has the ability to delete cases and zero out transactions.
- (7) The Traffic Clerk is authorized to make entries to the accounting records and has the ability to delete cases and zero out transactions.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2005

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each County Clerk of District Court should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews would be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will continue to work on strengthening our internal control procedures.

Conclusion – Response accepted.

- (B) Safekeeping of Receipts – In four County Clerk of District Court Offices, cash and checks are not locked in a secure place when the office is closed.

Recommendation – Cash and checks should be locked in a secure place when the Clerk of District Court Office is closed.

Response – Cash and checks are now locked in a secure place when the office is closed.

Conclusion – Response accepted.

- (C) Manual Receipts – Manual receipts should be used when the ICIS system is down and should be recorded on ICIS at the time the ICIS receipt is prepared. The Judicial Branch Accounting Procedures Manual, Procedure #190.400, identifies the procedure/controls to be followed when issuing and processing manual receipts. The following items relating to manual receipts were noted in certain County Clerk of District Court Offices:

- (1) The numerical sequence of manual receipts was not accounted for.
- (2) The ICIS receipt number should be written on the manual receipt to indicate posting to ICIS. Certain manual receipts did not include this documentation. Also, the initials of the employee who posted the receipt to ICIS were omitted in some instances.
- (3) There was no evidence of independent review to ensure all manual receipts were posted to ICIS.
- (4) A significant number of manual receipts were used in situations other than when the ICIS system was down.
- (5) Manual receipts were not always posted to ICIS timely.
- (6) In two County Clerk of District Court Offices, prenumbered manual receipts were not utilized when the ICIS system was down.

Recommendation – The County Clerks of District Courts should limit use of manual receipts to only those times during which the ICIS system is down and should follow Judicial Branch Accounting Procedures and proper internal controls when processing manual receipts.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2005

Response – We rarely have to use manual receipts but when we do we will ensure proper procedures are followed.

Conclusion – Response accepted.

- (D) Timely and Intact Deposits – Accounting Procedure #190.400 requires receipts to be deposited intact daily. In one County Clerk of District Court office, receipts are deposited intact, but not always timely. In two County Clerk of District Court Offices, receipts are not deposited intact or daily.

Recommendation – Deposits at certain County Clerks of District Court Offices should be made daily and intact as required.

Response – The three counties noted currently make deposits intact daily.

Conclusion – Response accepted.

- (E) Restrictive Endorsement – A restrictive endorsement was not placed on checks immediately upon receipt in accordance with Accounting Procedure #190.400 in two County Clerk of District Court Offices.

Recommendation – A restrictive endorsement should be placed on all checks when received to provide protection in case of theft or loss.

Response – We will remind the clerks of the requirement to restrictive endorse each check upon receipt.

Conclusion – Response accepted.

- (F) Court Ordered Trusts – In three County Clerk of District Court Offices, interest earned on certain court ordered trusts was not posted to ICIS timely.

Recommendation – All interest earned on court ordered investments should be posted to ICIS as a miscellaneous trust in accordance with Accounting Procedure #130.400.

Response – The counties noted have changed their procedures.

Conclusion – Response accepted.

- (G) Case Delete Program – The County Clerks of District Courts' employees have access to the ICIS case delete program. The program deletes all information except the case number. This deleted information cannot be retrieved. Accounting Procedure #190.605 recommends the authority to delete a case should be limited to one or two persons in small offices and two or three persons in larger offices, requests to delete a case should be in writing and signed by the person deleting the case and the case delete log (the Case Deletion History report) should be maintained. The case delete log is to be reviewed by an independent person for propriety and evidenced by the reviewer's initials or signature and the date. Documentation of the deleted information is not always maintained and there is no evidence of review and approval of a deleted case or the case delete log at a number of offices.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2005

Recommendation – The Iowa Judicial Branch should work with the County Clerks of District Courts to ensure access is limited, deletions are properly documented in accordance with established procedures and case delete logs are generated and reviewed by an independent person.

Response – We will continue to work with the Clerks to ensure they understand the proper procedures concerning case deletion.

Conclusion – Response accepted.

- (H) Disaster Recovery Plan – The primary work area for each County Clerk of District Court is at the county courthouse and, therefore, they are subject to disaster recovery policies established by County Boards of Supervisors. A number of Clerks have not prepared disaster recovery plans that address areas they are responsible for, such as the identification of staff responsibilities, establishment of a predetermined priority for processing, record recovery or restoration, and making provisions for the use of manual procedures, if necessary. In addition, for those Clerks that have developed a plan, in many cases, the plan still needs improvement in one or more areas.

Recommendation – The Iowa Judicial Branch should provide guidance to County Clerks of District Courts to aid in the development and implementation of a comprehensive disaster recovery plan which encompasses duties and responsibilities of each Clerk.

Response – We will continue to monitor and improve our disaster recover plans.

Conclusion – Response accepted.

- (I) Case File Information Changes – In all County Clerk of District Court Offices, employees can change or zero out amounts due on a case file. The Zeroed Transactions in Production report automatically identifies all changes made to amounts due on cases and explanations for each change. The Zeroed Transactions in Production report should be printed and reviewed by the Clerk for propriety at least monthly. The independent review should be evidenced by the reviewer's initials or signature and the date of the review. There is no evidence of review and approval of the Zeroed Transactions in Production report at a number of offices.

Recommendation – The Iowa Judicial Branch should develop procedures and work with the Clerks to ensure the Zeroed Transactions in Production report is printed and reviewed by the Clerk at least monthly. In small offices, these reports should be reviewed periodically by someone in the State Court Administration Office. The reports should be retained in accordance with Accounting Procedure #190.710.

Response – We will work with the Clerks to ensure the reports concerning case file information changes are printed and reviewed monthly.

Conclusion – Response accepted.

- (J) Iowa Court Information System – We performed a review of certain financial information recorded by County Clerks of District Courts in the Iowa Court Information System (ICIS) and the controls over ICIS and noted the following:

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2005

- (1) User Account Deletions – The County Clerks of District Courts are required to submit a deregistration form to the ICIS help desk when an employee departs so a call ticket is created to remove their user ID.

The user accounts of twenty-three former employees were tested with the following results:

- Five terminated employees did not have a deregistration form turned in to the ICIS help desk within two weeks.
- Two terminated employees did not have their access revoked by the help desk within one week of receiving the deregistration form.

We also noted a periodic review of user accounts is not performed to help identify potential unauthorized users.

Recommendation – The ICIS Division should develop and implement procedures to promptly notify the help desk when employees depart. Also, a periodic review of all user accounts should be performed to help identify potential unauthorized users.

Response – First bullet response – IT staff will email a bulletin to District Court Administration. They in turn will remind Clerks and Supervisors that it is their responsibility to turn in de-registration requests when staff leave Judicial Branch employment or transfer to another function or office.

Second bullet response – IT staff will review the current process and evaluate refining the process.

IT management will discuss the periodic review of user accounts and formulate a plan or process for resolving this issue.

Conclusion – Response accepted.

- (2) Contingency Plan – Losing the capacity to process, retrieve and protect information maintained electronically can significantly affect an entity's ability to accomplish its mission. A contingency plan would include: (1) procedures to protect information resources and minimize the risks of unplanned interruptions and (2) a plan to recover critical operations should interruptions occur.

The ICIS Division has a written contingency plan for the ICIS1 system that was last updated in 1998. This plan does not address the current organization of the Division, nor does it cover the new ICIS2 system.

Recommendation – The ICIS Division should update the contingency plan so it reflects the current organization of the Division and covers the ICIS2 system. The plan should also be tested to ensure its feasibility.

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June 30, 2005

Response – Judicial Branch IT contracted with CISCO, Inc. to assist in development of a Disaster Recovery process for ICIS1 & ICIS2 based on the current application server and database server configuration(s). This was completed and successfully tested in September 2005. The fail-over scenario test conducted was as if the Judicial Branch Data Center was unusable and the primary processing was re-engineered for processing from the secondary site. (The plan addresses the fail-over procedures necessary should one of the Data Centers become unusable.)

Judicial Branch IT will review and update the disaster recovery contingency plans to address the current organization of the Division, resource protection and recovery.

Conclusion – Response accepted.

- (3) Clerk Controls – In one County Clerk of District Court Office, employees do not always use only the computer they have logged into. The computer located on the counter is logged into by one employee and all transactions entered are recorded using the same log-on. In one County Clerk of District Court Office, passwords are not secured to prevent unauthorized access to the ICIS system.

Recommendation – The Iowa Judicial Branch should work with Clerks to ensure each individual using the ICIS system records transactions with their personal log-on and passwords are kept secured.

Response – The two counties noted have corrected the problems noted with log-ons and passwords.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

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Findings Related to Statutory Requirements and Other Matters:

- (1) Settlement of Accounts – Certain fines, fees and surcharges were not remitted to the State of Iowa and to counties and cities monthly as required by Chapters 602.8108 and 602.8109 of the Code of Iowa.

Recommendation – All remittances should be made to the State of Iowa, cities and counties monthly as required by the Code of Iowa.

Response – We will continue to work with the Clerks to ensure timely remittances.

Conclusion – Response accepted.

- (2) Official Depositories

(a) The maximum amounts stated in certain resolutions were exceeded during the year ended June 30, 2005.

(b) The official name changed for certain depositories, but the required depository resolution change form was not properly filed to reflect the name changes at three County Clerk of District Court Offices.

Recommendation

(a) A new depository resolution should be filed in amounts sufficient to cover anticipated deposits.

(b) A depository resolution change form should be filed with the District Court Administrator in accordance with Accounting Procedure #130.250 when a depository changes names.

Response – We will continue to work with the clerks to ensure adequate depositories.

Conclusion – Response accepted.

- (3) Old Outstanding Trusts and Bonds – Chapter 556.11 of the Code of Iowa requires each County Clerk of District Court to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the State Treasurer's Office annually. Certain County Clerks of District Courts did not remit these obligations as required.

Recommendation – The outstanding checks, trusts, and bonds lists should be reviewed annually and amounts over two years old should be remitted to the State Treasurer's Office as required.

Response – All Clerks will be reminded of this procedure.

Conclusion – Response accepted.

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- (4) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows each County Clerk of District Court to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. For one County Clerk of District Court, an image of the back of each cancelled check was not obtained.

Recommendation – The County Clerk of District Court should obtain and retain an image of both the front and back of each cancelled check as required.

Response – We will remind all Clerks of this requirement.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

County Clerks of District Courts

June 30, 2005

Staff:

Questions or requests for further assistance should be directed to:

Erwin L. Erickson, CPA, Director
Joe T. Marturello, CIA, Manager
Brian Brustkern, CPA, Senior Auditor II
Selina V. Johnson, CPA, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

Kay Dunn, CPA, Manager
Michelle B. Meyer, CPA, Manager
Steven M. Nottger, CPA, Manager
K. David Voy, CPA, Manager
Ron Swanson, CPA, Manager
Cynthia Weber, CPA, Manager

Iowa Judicial Branch
County Clerks of District Courts

Iowa Judicial Branch - County Clerks of District Courts

Matrix of Findings

June 30, 2005

The following comment items correspond to the conditions noted in the comments and recommendations section of this report. The purpose of this summary is to identify the County Clerk of District Court Office the specific items relate to (designated by an "X").

County Name	County Number	Internal Control												
		A(1)	A(2)	A(3)	A(4)	A(5)	A(6)	A(7)	B	C(1)	C(2)	C(3)	C(4)	C(5)
Adair	1	X	X	X	X	X								
Adams	2	X	X	X	X	X	X							
Allamakee	3													
Appanoose	4	X	X	X	X	X					X	X	X	
Audubon	5	X	X	X	X	X	X				X	X		
Benton	6										X	X		
Black Hawk	7	X												
Boone	8	X	X			X					X	X	X	
Bremer	9													
Buchanan	10										X			
Buena Vista	11													X
Butler	12		X	X	X	X								
Calhoun	13	X	X	X	X	X	X							
Carroll	14	X												
Cass	15		X	X	X	X								
Cedar	16													
Cerro Gordo	17	X									X	X		
Cherokee	18	X												
Chickasaw	19	X	X		X				X					
Clarke	20		X			X					X			
Clay	21													
Clayton	22		X		X	X								
Clinton	23	X			X	X								
Crawford	24	X					X		X	X		X		
Dallas	25	X		X										
Davis	26	X	X	X	X	X	X			X		X		
Decatur	27	X	X	X	X	X	X							
Delaware	28													
Des Moines	29													
Dickinson	30											X		
Dubuque	31													
Emmet	32	X	X	X	X	X	X							
Fayette	33	X			X	X	X		X					
Floyd	34			X						X	X	X	X	X

Finding								Statutory Finding				
C(6)	D	E	F	G	H	I	J3	1	2(a)	2(b)	3	4
				X		X						
				X		X		X				
				X	X	X					X	
				X		X						
				X	X	X						
				X	X							
				X	X	X						
						X						
				X							X	
				X				X				
				X								
							X					
							X					
											X	
							X					
				X								
					X							
X				X	X	X		X		X		
				X								
	X			X		X						
				X		X						
				X		X		X			X	
		X			X				X			
				X		X						

Iowa Judicial Branch - County Clerks of District Courts

Matrix of Findings

June 30, 2005

The following comment items correspond to the conditions noted in the comments and recommendations section of this report. The purpose of this summary is to identify the County Clerk of District Court Offices the specific items relate to (designated by an "X").

County Name	County Number	Internal Control												
		A(1)	A(2)	A(3)	A(4)	A(5)	A(6)	A(7)	B	C(1)	C(2)	C(3)	C(4)	C(5)
Franklin	35	X		X	X									
Fremont	36		X		X									
Greene	37	X	X	X	X	X	X					X		
Grundy	38	X	X		X	X								
Guthrie	39	X	X	X	X	X								
Hamilton	40	X												
Hancock	41	X	X	X	X	X	X				X	X		
Hardin	42	X	X	X	X	X	X						X	X
Harrison	43	X	X	X	X	X	X				X	X		
Henry	44	X	X	X	X	X	X							
Howard	45	X	X	X		X								
Humboldt	46	X	X	X	X	X					X			
Ida	47	X			X	X								
Iowa	48	X				X					X	X		
Jackson	49		X											
Jasper	50													
Jefferson	51	X		X	X	X								
Johnson	52				X						X	X		
Jones	53													
Keokuk	54	X					X							
Kossuth	55													
Lee	56	X	X		X	X								
Linn	57													
Louisa	58	X	X			X								
Lucas	59	X	X	X	X	X	X				X	X		
Lyon	60	X	X	X	X	X	X							
Madison	61	X				X								
Mahaska	62	X			X		X							
Marion	63										X			
Marshall	64													
Mills	65	X	X	X	X	X								
Mitchell	66	X	X	X	X	X	X							
Monona	67	X												
Monroe	68	X	X	X	X	X	X							
Montgomery	69		X			X						X		

Finding								Statutory Finding				
C(6)	D	E	F	G	H	I	J3	1	2(a)	2(b)	3	4
				X							X	
				X				X				
				X						X		
				X		X						
				X		X						
				X		X					X	
		X		X		X					X	
				X	X			X				
						X						
				X		X						
				X		X						
			X	X	X	X		X				
				X		X						
				X	X	X						
				X	X	X						
				X		X						
				X		X						
				X	X	X						
				X	X	X		X			X	X
				X	X	X		X			X	
				X		X						
				X	X							
				X								
				X								
				X		X						
				X		X						
				X	X	X						
						X						

Iowa Judicial Branch - County Clerks of District Courts

Matrix of Findings

June 30, 2005

The following comment items correspond to the conditions noted in the comments and recommendations section of this report. The purpose of this summary is to identify the County Clerk of District Court Offices the specific items relate to (designated by an "X").

County Name	County Number	Internal Control												
		A(1)	A(2)	A(3)	A(4)	A(5)	A(6)	A(7)	B	C(1)	C(2)	C(3)	C(4)	C(5)
Muscatine	70	X				X								
O'Brien	71	X	X	X	X	X			X					
Osceola	72													
Page	73	X	X	X	X	X						X		
Palo Alto	74	X		X	X	X								
Plymouth	75	X								X				X
Pocahontas	76	X	X	X	X	X	X	X						
Polk	77	X								X	X			
Pottawattamie	78													
Poweshiek	79	X					X							
Ringgold	80	X	X	X	X	X								
Sac	81	X		X		X					X			
Scott	82				X									
Shelby	83	X	X	X	X	X	X							
Sioux	84	X										X		
Story	85													
Tama	86			X										
Taylor	87	X	X	X	X	X	X							
Union	88	X	X	X	X									
Van Buren	89	X	X		X	X	X				X	X	X	
Wapello	90	X										X		
Warren	91			X	X	X					X	X		
Washington	92	X		X			X							
Wayne	93	X	X	X	X	X								
Webster	94	X												
Winnebago	95					X								
Winneshiek	96	X	X		X									
Woodbury	97		X	X		X							X	
Worth	98	X	X			X								
Wright	99	X	X	X	X	X					X	X		

Finding								Statutory Finding				
C(6)	D	E	F	G	H	I	J3	1	2(a)	2(b)	3	4
			X		X							
	X			X		X						
				X		X		X				
				X	X							
				X		X		X				
				X		X						X
				X		X						
					X							
				X								
			X			X	X					
				X		X						
					X			X				
				X								
				X								
X												
				X		X		X				
				X								
				X	X	X						
				X	X							
				X		X						X
				X		X		X				
				X		X						X
				X								
				X		X						
	X			X			X					
												X
				X		X						