



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 24, 2003 \_\_\_\_\_ Contact: Andy Nielsen  
515/281-5515

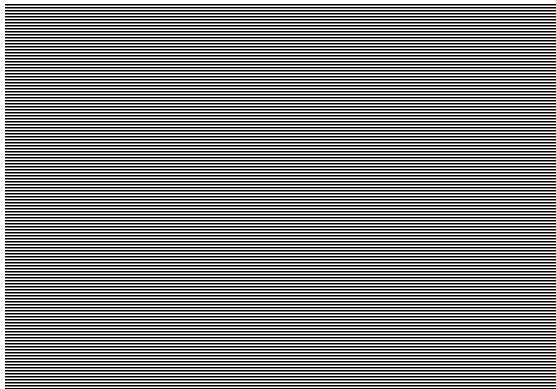
Auditor of State David A. Vaudt today released a combined report on the institutions under the control of the Iowa Department of Human Services. The report includes findings and recommendations and average cost per resident information for the five years ended June 30, 2002.

The average cost per resident at the eight institutions under the control of the Iowa Department of Human Services ranged from \$58,189 at the Civil Commitment Unit for Sexual Offenders to \$145,731 at the Mental Health Institute-Independence, and \$222,897 at the Mental Health Institute - Cherokee for the year ended June 30, 2002. However, included in the average cost per resident for the Mental Health Institute - Cherokee are expenditures for a significant amount of outpatient services, which could not be identified separately. While total general fund expenditures for the nine institutions have increased 21% during the five year period to approximately \$152 million, the average number of residents has increased 4.3% from 1,267 to 1,322 and the average daily cost per resident increased 16.2% from \$270.72 to \$314.68 over the same period.

Copies of this report are available for review in the Office of Auditor of State.

###





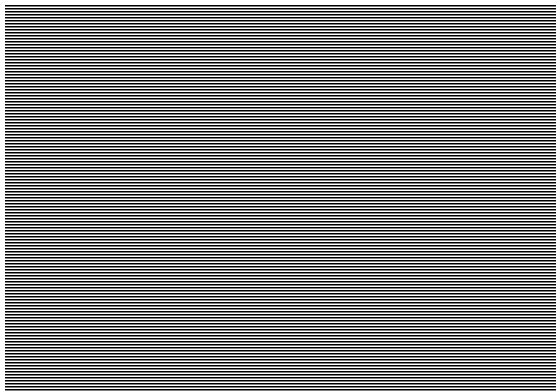
**COMBINED REPORT ON THE INSTITUTIONS UNDER THE  
CONTROL OF THE IOWA DEPARTMENT OF HUMAN SERVICES  
SCHEDULES  
FINDINGS AND RECOMMENDATIONS**

**JUNE 30, 2002**

==== 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	5
Overview	6-7
Schedules:	Schedule
Average Cost Per Resident Information - By Institution - Fiscal Years 1998 through 2002	1 8-11
Average Cost Per Resident Information - Graphs	13-15
General Fund Expenditures by Institution - 1998	2 16-17
General Fund Expenditures by Institution - 1999	3 18-19
General Fund Expenditures by Institution - 2000	4 20-21
General Fund Expenditures by Institution - 2001	5 22-23
General Fund Expenditures by Institution - 2002	6 24-25
Resident Population Statistics - 2002	7 26-27
Findings and Recommendations:	
Mental Health Institute - Clarinda	28
Mental Health Institute - Mount Pleasant	29
Mental Health Institute - Cherokee	30
Mental Health Institute - Independence	31
Woodward Resource Center	32-33
Glenwood Resource Center	34
State Juvenile Home - Toledo	35-36
State Training School - Eldora	37
Civil Commitment Unit for Sexual Offenders – Oakdale	38





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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

June 30, 2003

To the Council Members of the  
Iowa Department of Human Services:

The Institutions under the control of the Iowa Department of Human Services are a 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, 2002.

We have reviewed financial and other information at the Institutions under the control of the Iowa Department of Human Services for the five years ended June 30, 2002. Our review was conducted to report an average cost per resident at each Institution in accordance with Chapter 11.28 of the Code of Iowa. The results of our review are included in the Overview and Schedules sections of this report.

In conducting our audits, we became aware of certain aspects concerning the various Institutions' operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. The recommendations pertain to the internal control, compliance with statutory requirements and other matters which we believe you should be aware of. These recommendations have been discussed with applicable Institution 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 Department of Human Services, the Institutions under the control of the Iowa Department of Human Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Human 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 Institutions during the course of our audits. Should you have any 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 Institutions are listed on pages 28, 29, 30, 31, 33, 34, 36, 37, and 38 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  
Cynthia P. Eisenhauer, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

## Iowa Department of Human Services

### Overview

#### **Background**

In accordance with Chapter 218 of the Code of Iowa, the Iowa Department of Human Services has the authority to control, manage, direct and operate the following institutions:

Mental Health Institute - Clarinda – The Institute has been serving the citizens of Southwest Iowa since 1888. The function of this Institute is to promote good mental health practices and to provide high level care for persons with mental illness.

Mental Health Institute - Mount Pleasant – The Institute was established on February 2, 1861. Major goals and objectives of the Institute are to be responsive to the community-oriented patient care needs of the population it serves, without duplicating services already provided in the community.

Mental Health Institute - Cherokee – The Institute was founded in 1902. The Institute is responsible for furnishing psychiatric services to citizens of the Northwest Iowa counties to the extent that such services are not provided by other sources.

Mental Health Institute - Independence – The Institute was established on May 1, 1873. The Institute is a fully accredited psychiatric care hospital and provides treatment for mentally ill adults, adolescents and children.

Woodward Resource Center – The Resource Center was established in 1917. The Center is a residential facility for the mentally retarded, one of two such resource centers in the State of Iowa. The Institution provides treatment, training, instruction, care, habilitation and support of persons with retardation or other disabilities in the State.

Glenwood Resource Center – The Resource Center was established on September 1, 1876. The Center is a residential facility for the mentally retarded and provides treatment, training, instruction, care, habilitation and support of persons with retardation or other disabilities in the State.

State Juvenile Home - Toledo – The State Juvenile Home - Toledo came into existence October 21, 1920. This Institution is a structured, non-secure co-ed facility serving juveniles under 17 who are residents of the State of Iowa in need of assistance. The residents are committed by the juvenile courts as dependent or neglected, or are committed voluntarily through application to the County Board of Supervisors and the Iowa Department of Human Services. The children become wards of the State to receive educational, medical, diagnostic treatment, and limited employment programs to help them attain productive and satisfying citizenship in a free society.

State Training School - Eldora – The Training School was established in 1868. The Institution is a minimum security Institution for boys between the ages of twelve and eighteen who have been adjudicated delinquent by the juvenile courts of the State of Iowa. Effective January 1, 1992, a diagnosis and evaluation center and other units were established to provide juvenile delinquents a program which focuses upon appropriate developmental skills, treatment, placement and rehabilitation.

Civil Commitment Unit for Sexual Offenders (CCUSO) – The Civil Commitment Unit for Sexual Offenders was established in 1999. The Unit provides treatment for sexually violent predators in a secure facility located at the Iowa Medical and Classification Center at Oakdale. The residents have completed their criminal sentences, have been identified as a high risk for a repeat offense and are committed through a civil action by order of the courts.



### **Scope and Methodology**

We have calculated an average cost per resident at each Institution for the five years ended June 30, 2002, based on their general fund expenditures. Certain reclassifications and changes have been made to these expenditures to provide comparable averages between Institutions. Therefore, expenditure amounts and cost per resident averages may differ from those used for statewide financial statement purposes. These classifications and changes are as follows:

- (1) Operating transfers, primarily reimbursements to other state agencies for services, have been reclassified as expenditures for the purposes of this report.
- (2) At the inception of a capital lease, total principal payments are recorded as expenditures and as other financing sources for statewide purposes. For purposes of this report, we have included only the current year principal and interest payments as expenditures.
- (3) Canteen operations have been excluded from general fund expenditures since the canteen is a self-supporting operation at each institution.
- (4) Non-cash assistance, consisting of USDA commodities, has been excluded from general fund expenditures.

Median stay information was not calculated or presented in the accompanying average cost per resident schedule for the resource centers or juvenile facilities since the median stay tends to be for a much longer period.

Cost per stay was calculated for each of the Mental Health Institutes. This represents the average cost for the median stay of each patient that is admitted.

### **Summary Observation**

The Mental Health Institute - Cherokee provides significant outpatient services not performed by other institutions. Adequate statistical data on outpatient services, including the amount and cost of services provided by year, was not readily available. Accordingly, the cost per resident information at the Mental Health Institute - Cherokee is not comparable to other institutions and may not be comparable between years at the Mental Health Institute - Cherokee.

The average cost per resident ranged from \$58,189 at the Civil Commitment Unit for Sexual Offenders to \$145,731 at the Mental Health Institute-Independence, and \$222,897 at the Mental Health Institute - Cherokee for fiscal year 2002, and has generally increased overall over the past five years at each institution.

During fiscal year 1999, the Civil Commitment Unit for Sexual Offenders was opened and housed residents at the Iowa Medical and Classification Center at Oakdale. The number of residents increased from 1 on July 1, 1999 to 31 on June 30, 2002. As a result, the average cost per resident decreased significantly from fiscal year 2000 to fiscal year 2002.

While total general fund expenditures have increased 21% from \$125,196,856 in 1998 to \$151,843,426 in 2002, the average number of residents has increased 4.3%, from 1,267 to 1,322, and the average daily cost per resident has increased 16.2%, from \$270.72 to \$314.68 over the same period.

Median stay ranged from 10 days to 37 days at the four Mental Health Institutes for fiscal year 2002 and has generally remained constant or increased over the past five years at each institution.

Institutions Under the Control of the Iowa Department of Human Services  
Average Cost Per Resident - By Institution

For the Last Five Fiscal Years

	Year ended June 30, 1998					
	Average Number of Resi- dents	Average Number of Em- ployees	Average Cost per Resident	Average Daily Cost per Resident	Median Stay (Days)	Cost per Stay
Mental Health Institute - Clarinda	65	119	\$ 102,553	280.97	12	\$ 3,372
Mental Health Institute - Mt. Pleasant	61	88	80,648	220.95	24	5,303
Mental Health Institute - Cherokee	73	243	188,058	515.23	13	6,698
Mental Health Institute - Independence	113	361	156,872	429.79	21	9,025
Woodward Resource Center	278	636	102,342	280.39		
Glenwood Resource Center	393	811	98,573	270.06		
State Juvenile Home - Toledo	90	115	61,667	168.95		
State Training School - Eldora	194	207	48,539	132.98		
Civil Commitment Unit for Sexual Offenders	-	-	-	-		
Total	1,267	2,580	\$ 98,814	270.72		

Year ended June 30, 1999						Year ended June 30, 2000					
Average Number of Resi- dents	Average Number of Em- ployees	Average Cost per Resident	Average Daily Cost per Resident	Median Stay (Days)	Cost per Stay	Average Number of Resi- dents	Average Number of Em- ployees	Average Cost per Resident	Average Daily Cost per Resident	Median Stay (Days)	Cost per Stay
67	122	\$ 105,076	287.88	8	\$ 2,303	67	132	\$ 110,121	301.70	9	\$ 2,715
60	92	93,342	255.73	26	6,649	67	101	87,580	239.95	28	6,718
67	242	206,826	566.65	12	6,800	68	244	198,851	544.80	11	5,993
139	364	132,656	363.44	21	7,632	152	373	125,335	343.38	21	7,211
278	637	111,449	305.34			281	640	120,557	330.29		
393	826	102,142	279.84			393	836	108,718	297.86		
91	127	69,623	190.75			102	134	65,148	178.49		
193	203	50,511	138.39			177	212	60,071	164.58		
-	-	-	-			6	15	168,442	461.48		
<u>1,288</u>	<u>2,613</u>	<u>\$ 102,598</u>	<u>281.09</u>			<u>1,313</u>	<u>2,687</u>	<u>\$ 107,167</u>	<u>293.61</u>		

Institutions Under the Control of the Iowa Department of Human Services  
Average Cost Per Resident - By Institution

For the Last Five Fiscal Years

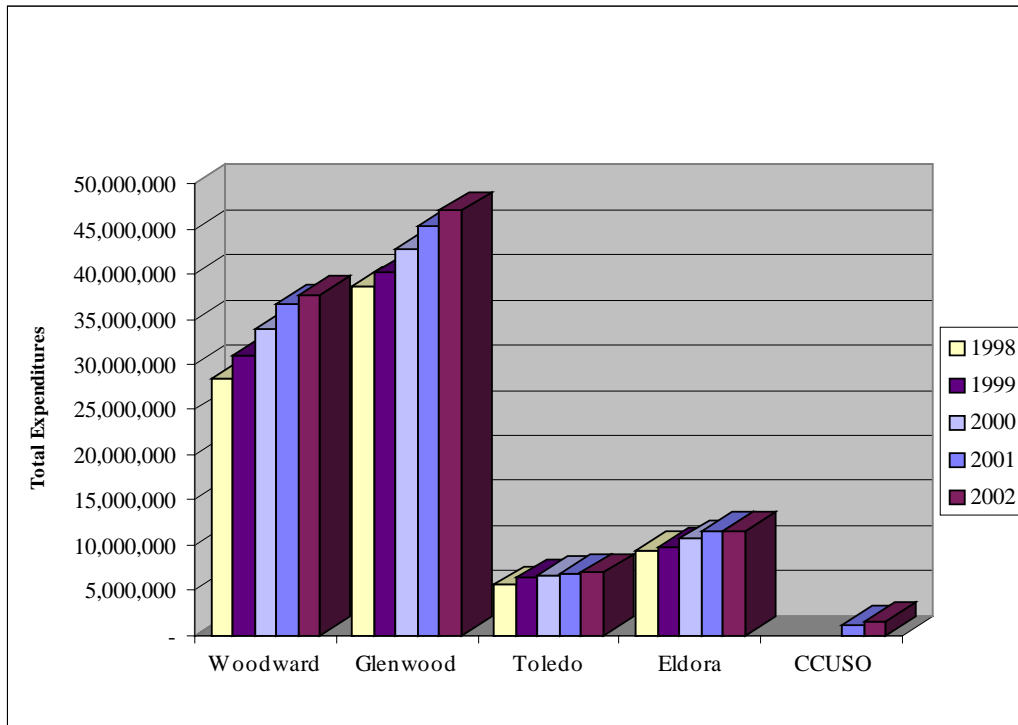
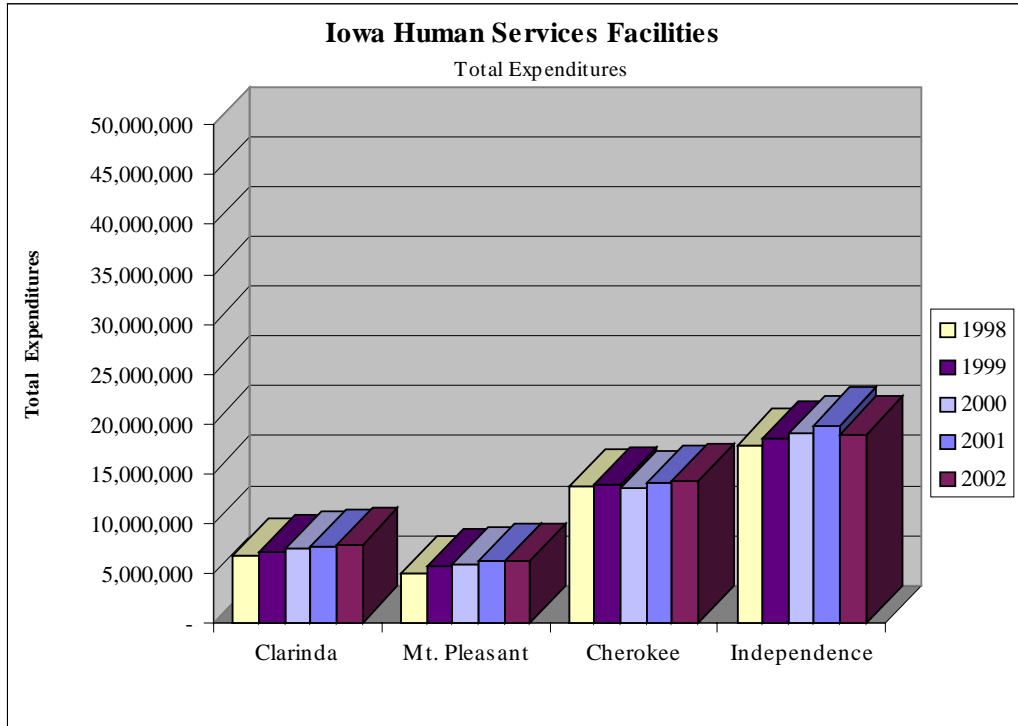
	Year ended June 30, 2001					Cost per Stay
	Average Number of Residents	Average Number of Employees	Average Cost per Resident	Average Daily Cost per Resident	Median Stay (Days)	
Mental Health Institute - Clarinda	70	128	\$ 109,786	300.78	8	\$ 2,406
Mental Health Institute - Mt. Pleasant	74	105	82,960	227.29	28	6,364
Mental Health Institute - Cherokee	70	240	199,971	547.87	12	6,574
Mental Health Institute - Independence	152	381	130,560	357.70	24	8,585
Woodward Resource Center	279	650	131,584	360.50		
Glenwood Resource Center	393	850	115,486	316.40		
State Juvenile Home - Toledo	98	134	70,060	191.95		
State Training School - Eldora	181	224	64,115	175.66		
Civil Commitment Unit for Sexual Offenders	14	22	78,976	216.37		
<b>Total</b>	<b>1,331</b>	<b>2,734</b>	<b>\$ 112,202</b>	<b>307.40</b>		

Year ended June 30, 2002					
Average Number of Residents	Average Number of Employees	Average Cost per Resident	Average Daily Cost per Resident	Median Stay (Days)	Cost per Stay
63	111	\$ 124,399	340.82	10	\$ 3,408
69	98	90,440	247.78	28	6,938
64	237	222,897	610.68	13	7,939
130	351	145,731	399.26	37	14,773
282	628	133,628	366.10		
395	828	119,053	326.17		
101	128	68,306	187.14		
193	217	59,549	163.15		
25	31	58,190	159.42		
1,322	2,629	\$ 114,859	314.68		

**Iowa Department of Human Services**

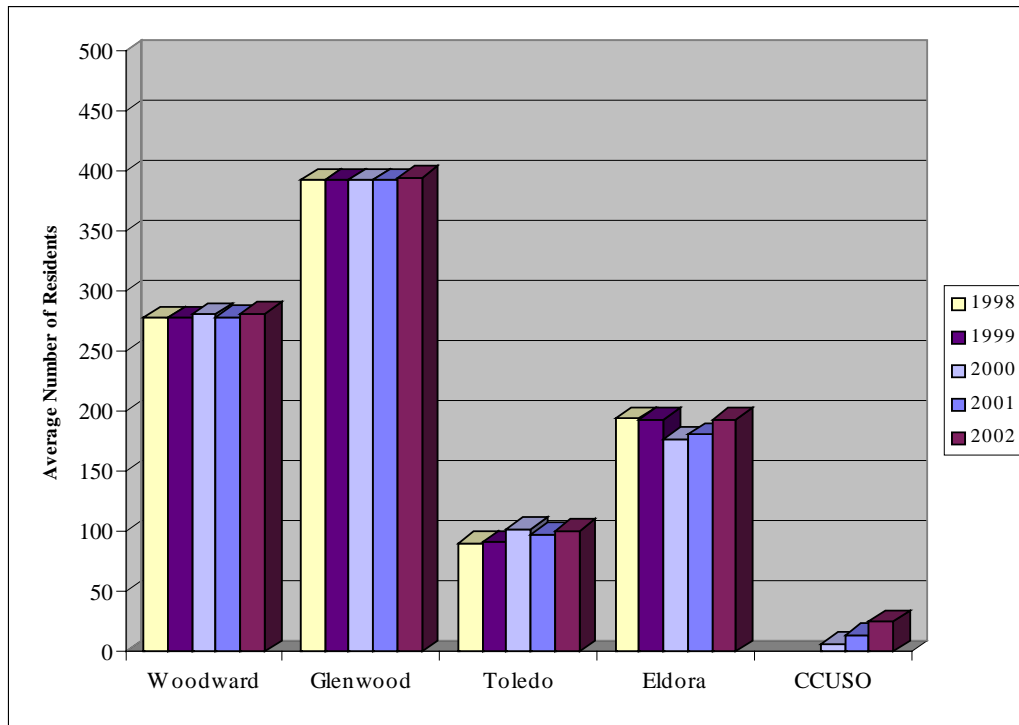
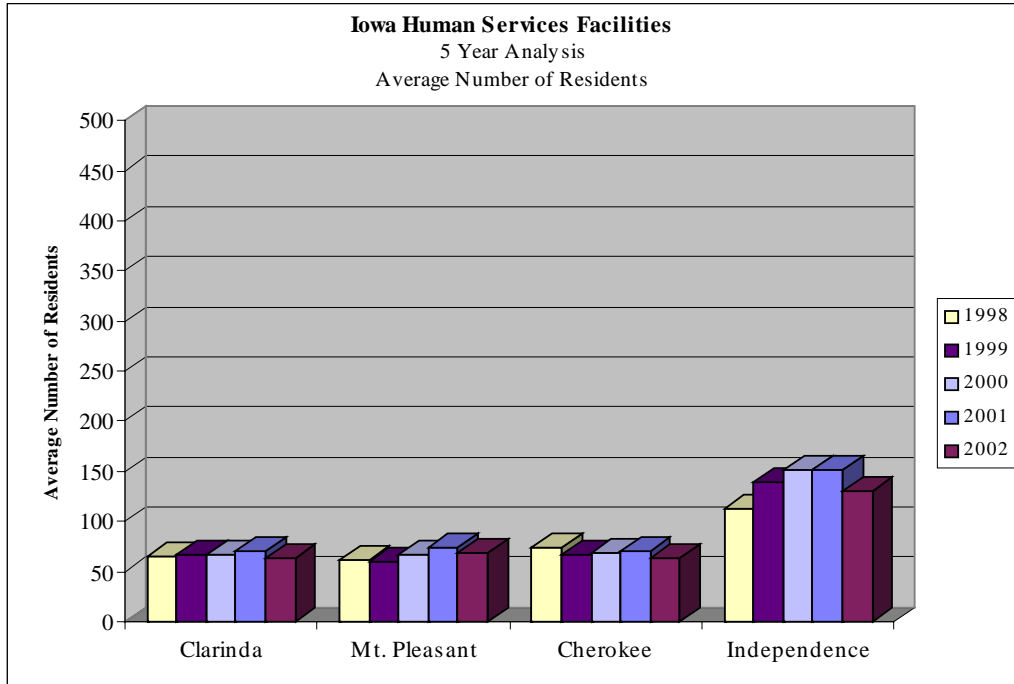
Institutions Under the Control of the Iowa Department of Human Services  
Average Cost Per Resident Information

For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Human Services  
Average Cost Per Resident Information

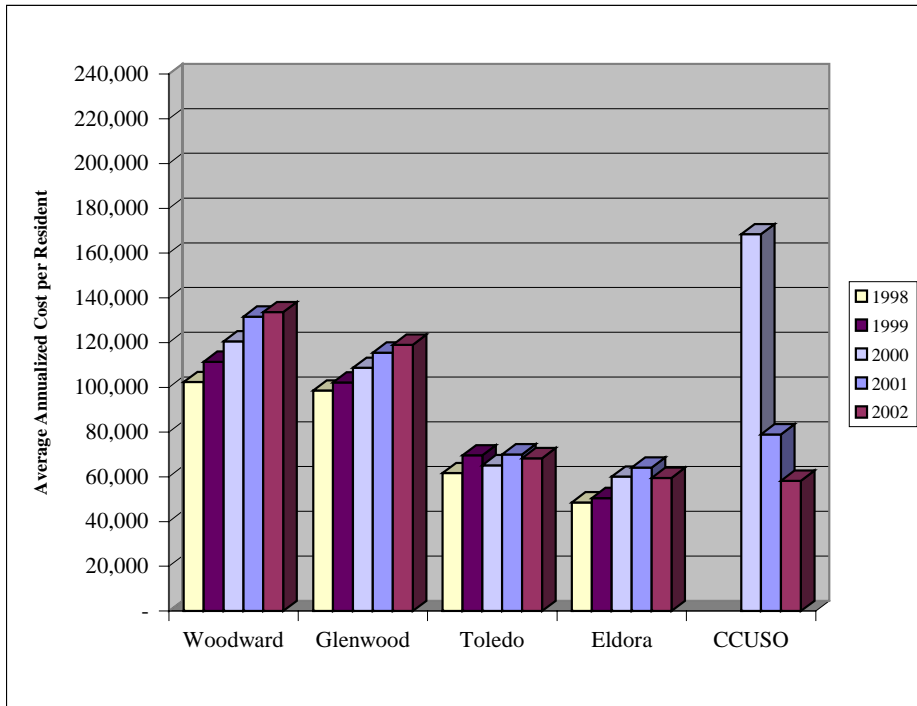
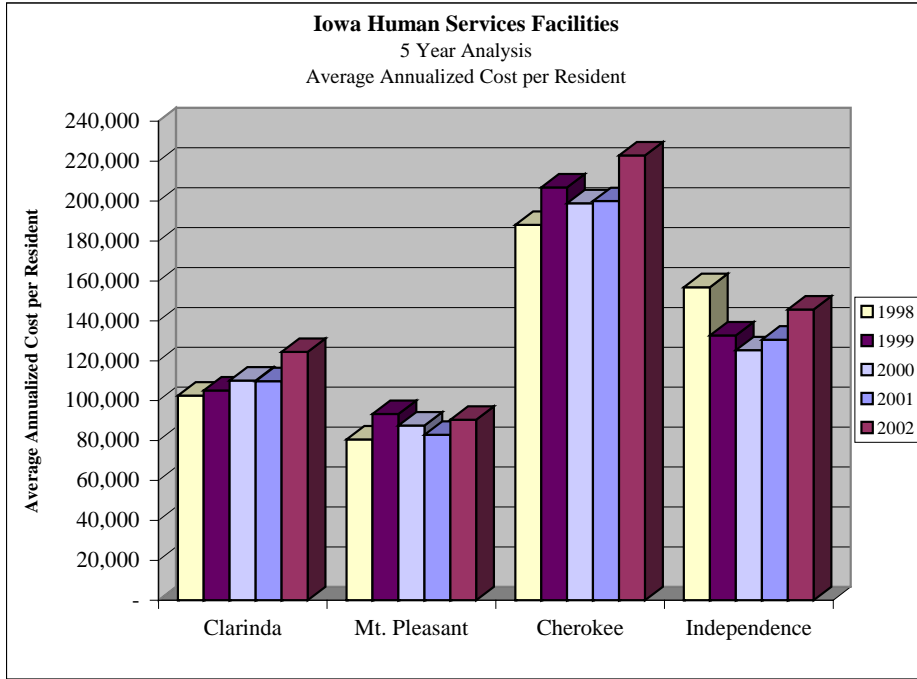
For the Last Five Fiscal Years





Institutions Under the Control of the Iowa Department of Human Services  
Average Cost Per Resident Information

For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution

Year ended June 30, 1998

	Institution			
	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 5,578,328	4,153,623	9,931,371	14,845,169
Travel	14,612	7,980	66,601	46,432
Supplies and materials	565,518	17,626	1,197,034	643,878
Contractual services	430,482	673,480	1,995,642	1,924,217
Capital outlay	75,774	45,766	534,914	263,275
Claims and miscellaneous	473	50	2,167	2,564
Licenses, permits, and refunds	763	-	480	963
Aid to individuals	-	20,987	-	-
Total	\$ 6,665,950	4,919,512	13,728,209	17,726,498

Institution				
Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Total
24,435,386	31,443,686	4,532,320	7,671,744	102,591,627
119,466	164,461	9,713	29,765	459,030
2,044,438	2,904,998	335,686	614,656	8,323,834
1,523,095	3,104,395	525,056	939,870	11,116,237
318,985	789,463	121,035	145,740	2,294,952
9,510	332,168	25,923	13,776	386,631
85	-	259	1,008	3,558
-	-	-	-	20,987
28,450,965	38,739,171	5,549,992	9,416,559	125,196,856

---

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution

Year ended June 30, 1999

	Institution			
	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 5,761,316	4,069,413	10,121,894	15,052,855
Travel	19,567	13,762	66,327	48,591
Supplies and materials	729,172	92,606	1,204,333	652,855
Contractual services	382,044	1,063,112	1,677,770	2,421,003
Capital outlay	147,164	356,995	784,229	261,099
Claims and miscellaneous	501	-	2,392	2,714
Licenses, permits, and refunds	337	-	415	104
Aid to individuals	-	4,620	-	-
 Total	 \$ 7,040,101	 5,600,508	 13,857,360	 18,439,221

		Institution		
Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Total
25,887,886	33,593,074	5,039,052	7,838,878	107,364,368
138,936	178,991	10,902	33,162	510,238
2,269,613	3,425,425	430,145	561,239	9,365,388
1,981,687	1,815,414	597,733	1,062,885	11,001,648
688,390	845,448	251,315	237,351	3,571,991
16,281	283,610	6,355	12,409	324,262
100	-	217	2,784	3,957
-	-	-	-	4,620
30,982,893	40,141,962	6,335,719	9,748,708	132,146,472

---

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution

Year ended June 30, 2000

	Institution			
	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,094,962	4,701,591	10,803,478	15,722,869
Travel	22,422	13,701	56,212	52,559
Supplies and materials	768,283	4,403	1,088,249	1,276,530
Contractual services	423,654	711,692	1,271,000	1,849,853
Capital outlay	68,411	434,252	300,033	142,988
Claims and miscellaneous	236	27	2,480	4,607
Licenses, permits, and refunds	154	-	415	1,539
Aid to individuals	-	2,210	-	-
<b>Total</b>	<b>\$ 7,378,122</b>	<b>5,867,876</b>	<b>13,521,867</b>	<b>19,050,945</b>

Institution					
Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Totals
28,224,653	35,651,140	5,541,881	8,426,810	714,088	115,881,472
142,297	197,059	15,753	51,261	16,098	567,362
2,546,678	3,415,509	460,047	631,614	37,270	10,228,583
2,159,601	1,961,385	587,746	1,325,498	154,592	10,445,021
791,274	1,062,304	32,586	183,059	88,601	3,103,508
11,419	436,452	6,547	11,296	-	473,064
520	2,357	500	3,044	-	8,529
-	-	-	-	-	2,210
33,876,442	42,726,206	6,645,060	10,632,582	1,010,649	140,709,749

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution

Year ended June 30, 2001

	Institution			
	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,358,975	5,261,564	11,417,471	16,524,528
Travel	24,591	27,202	9,265	45,938
Supplies and materials	783,528	42,410	987,927	1,153,080
Contractual services	473,866	635,766	1,459,257	2,037,687
Capital outlay	42,969	170,281	121,440	78,572
Claims and miscellaneous	594	31	2,424	5,261
Licenses, permits, and refunds	498	-	210	35
Aid to individuals	-	1,760	-	-
<b>Total</b>	<b>\$ 7,685,021</b>	<b>6,139,014</b>	<b>13,997,994</b>	<b>19,845,101</b>



Institution					
Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
30,327,862	37,032,872	5,673,528	9,343,255	838,078	122,778,133
189,393	113,354	13,523	35,779	8,967	468,012
2,457,556	3,434,192	430,983	578,627	13,067	9,881,370
2,915,547	3,780,604	698,397	1,558,563	233,067	13,792,754
805,564	1,056,339	42,319	72,960	12,266	2,402,710
15,266	(32,568)	7,006	12,047	214	10,275
670	1,095	144	3,626	-	6,278
-	-	-	-	-	1,760
36,711,858	45,385,888	6,865,900	11,604,857	1,105,659	149,341,292

Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution

Year ended June 30, 2002

	Institution			
	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,481,605	5,320,773	11,750,576	16,099,397
Travel	16,268	9,231	40,213	28,325
Supplies and materials	619,290	197,433	968,913	919,593
Contractual services	679,885	659,133	1,379,517	1,828,172
Capital outlay	38,864	52,400	121,992	68,815
Claims and miscellaneous	1,078	111	4,068	719
Licenses, permits, and refunds	160	-	155	10
Aid to individuals	-	1,251	-	-
<b>Total</b>	<b>\$ 7,837,150</b>	<b>6,240,332</b>	<b>14,265,434</b>	<b>18,945,031</b>

Institution					
Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
31,277,469	38,343,563	5,909,377	9,649,296	992,739	125,824,795
196,570	210,130	11,347	35,865	7,221	555,170
2,510,985	3,694,396	436,441	519,772	9,824	9,876,647
3,156,897	3,810,171	521,021	1,213,083	440,375	13,688,254
471,350	524,231	13,763	58,888	4,589	1,354,892
12,226	442,399	6,719	12,583	-	479,903
300	980	257	3,393	-	5,255
57,259	-	-	-	-	58,510
37,683,056	47,025,870	6,898,925	11,492,880	1,454,748	151,843,426

---

Institutions Under the Control of the Iowa Department of Human Services

Resident Population Statistics  
(Unaudited)

Year ended June 30, 2002

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Population beginning of year	81	62	81	139
Admissions:				
First admissions	199	609	386	319
Readmissions	121	190	369	244
Returns:				
Home visits	-	-	-	463
Limited leaves	-	10	-	186
Temporary medical transfers	-	-	-	26
Unauthorized departures	-	-	-	2
Total admissions	320	809	755	1,240
Released:				
Discharges	336	779	776	408
Deaths	-	-	-	-
Home visits	-	-	-	459
Limited leaves	-	-	-	377
Temporary medical transfers	7	29	-	30
Unauthorized departures	-	-	-	2
Other	-	-	-	-
Total released	343	808	776	1,276
Population end of year	58	63	60	103
Daily average resident population	63	69	64	130

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment for Sexual Offenders
281	393	109	180	17
11	20	143	399	13
3	8	-	35	-
-	418	-	-	-
90	9	-	-	1
-	203	-	-	-
-	5	-	-	-
104	663	143	434	14
9	20	152	94	-
4	-	-	-	-
-	416	-	-	-
90	11	-	-	-
-	214	-	-	-
-	5	-	-	-
-	-	-	312	-
103	666	152	406	-
282	390	100	208	31
282	395	101	193	25

June 30, 2002

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

No matters were reported.

**Findings Related to Internal Control:**

Entertainment Account Expenditures – Expenditures in the Entertainment Account should be adequately supported and appropriately authorized. During testing we noted:

- (1) Two expenditures were not adequately supported.
- (2) Three expenditures were not properly authorized.

Recommendation – The Institution should develop policies and procedures to help ensure that all expenditures are adequately supported and properly authorized.

Response – We have added a chapter to the Operation Manual, Chapter VIII – 10.00 Expendable Trust Funds and a corresponding “Expendable Trust Fund Order” form which clarifies who is authorized to receive, who can approve the disbursement of funds, and what signatures and supporting documents are required to adequately protect this fund. This new chapter is in draft form and is in the final pass for new suggestions for change by making the rounds to the treatment teams being affected. I expect it to be a final version by the middle of June.

Conclusion – Response accepted.

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

No matters were reported.

**Staff:**

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager  
Tammy A. Wolterman, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Billie Jo Heth, Staff Auditor  
Marc D. Johnson, Staff Auditor  
Jason R. Matter, Staff Auditor  
Scott D. Bantz, Assistant Auditor  
Kristen E. Harang, CPA, Assistant Auditor

June 30, 2002

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

No matters were reported.

**Findings Related to Internal Control:**

No matters were reported.

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

No matters were reported.

**Staff:**

Questions or requests for further assistance should be directed to:

Cynthia L. Weber, CPA, Manager  
Ted M. Weigand, CPA, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Kelly V. Rea, CPA, Staff Auditor  
Kevin P. Riley, CPA, Staff Auditor  
Scott P. Boisen, Assistant Auditor  
Jake P. Keegan, Assistant Auditor

June 30, 2002

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

No matters were reported.

**Findings Related to Internal Control:**

No matters were reported.

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

No matters were reported.

**Staff:**

Questions or requests for further assistance should be directed to:

K. David Voy, CPA, Manager  
Kathleen S. Caggiano, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Nicholas A. Freyman, CGFM, Senior Auditor  
Natalie J. Storm, CPA, Staff Auditor  
Kristen H. Harang, CPA, Assistant Auditor



June 30, 2002

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

No matters were reported.

**Finding Related to Internal Control:**

Per Diem Rate – Certain expenditures were omitted in computing the per diem rates for patient care for the fiscal year ending June 30, 2003, which are based on calendar year 2001 expenditures and activities. The computational error resulted in an understatement of per diem rates, depending on age and classification of patient, ranging from \$3.79 to \$4.23 per day. The effect on revenues was not significant since the Institute's billing rates were already in excess of the maximum rates allowed for reimbursement for County billings and various programs, including Medicaid. The computation of per diem rates was not reviewed by an independent person.

Recommendation – The Institution should use the correct rates for the remainder of the current fiscal year. Additionally, in the future, per diem rates should be properly computed and reviewed by an independent person.

Response – The Institution will use the correct rate for the remainder of the fiscal year. The Institution will begin to have an independent person review all the computations that determine the per diem rates.

Conclusion – Response accepted.

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

Depreciation – Buildings – The State of Iowa implemented Governmental Accounting Standards Board Statement Number 34 (GASB 34) for the fiscal year ended June 30, 2002. Under GASB 34, capital assets are to be depreciated. Depreciation expense and accumulated depreciation are recorded for building improvements. However, depreciation and accumulated depreciation were not reported on the original value of buildings. Based on the age of the original buildings, the restatement at July 2001 on pro forma statements should have included all buildings as fully depreciated.

Recommendation – The Institution should consult the Iowa Department of Revenue and Finance GAAP reporting team to ensure that accumulated depreciation on buildings is properly included in the GAAP Package for the next fiscal year.

Response – The error for fiscal year 2002 will be adjusted on fiscal year 2003 GAAP Package under the direction of the GAAP reporting team. Buildings will be reported as fully depreciated.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Steven M. Nottger, 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:

Richard C. Brown, CGFM, Staff Auditor  
Shawn P. Limback, CPA, Staff Auditor  
Beth A. Wichtendahl, CPA, Staff Auditor  
Scott D. Bantz, Assistant Auditor  
Donald N. Miksch, Assistant Auditor

June 30, 2002

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

No matters were reported.

**Findings Related to Internal Control:**

- (1) Supply Inventories – Independent physical inventory counts should be performed at each department of Woodward Resource Center. Also, duties should be segregated in each department.

None of the five departments selected for inventory testing had completed independent inventory counts at fiscal year 2002 year-end. Also, two of the five departments did not adequately segregate duties for inventories within their departments.

Recommendation – Woodward Resource Center should implement policies and procedures to ensure that an independent year end physical inventory count takes place at each department carrying a supply inventory balance. Procedures should also be implemented to ensure duties are properly segregated in each of these departments.

Response – Due to limited staffing in these departments, it is difficult to conduct an independent inventory count and to completely segregate the duties within each department. Woodward Resource Center does not have procedures in place in each of these departments that assure inventory control.

Conclusion – Response acknowledged. However, Woodward Resource Center should perform an independent year end physical inventory count and segregate duties to the extent possible with limited staff.

- (2) Resident Accounts – Woodward Resource Center records the balances of individual resident accounts on the Iowa Department of Human Services (DHS) client banking system. The client banking system should be reconciled monthly with the master control (check register balance).

At June 30, 2002, the detail resident account listing had \$1,464 more than the control account balance on the client banking system. Also, the client banking system balance was \$13,874 more than the master control (check register balance).

Recommendation – The Resource Center should implement policies and procedures to reconcile individual resident account balances with the control account on the client banking system. Also, the client banking system should be reconciled with the master control (check register balance).

Response – Woodward Resource Center is implementing procedures to reconcile these balances monthly and will have these monthly reconciliation sheets available for the auditors to review.

Conclusion – Response accepted.

Findings and Recommendations for Woodward Resource Center

June 30, 2002

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

No matters were reported.

**Staff:**

Questions or requests for further assistance should be directed to:

K. David Voy, CPA, Manager  
Gina L. Cunningham, CPA, Senior Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Jill M. Bergantzel, CPA, Staff Auditor  
Natalie J. Storm, CPA, Staff Auditor  
Elvir Alicic, Assistant Auditor  
Scott D. Bantz, Assistant Auditor  
Brad T. Holton, Assistant Auditor  
Sheila M. Jensen, Assistant Auditor  
Jedd D. Moore, Assistant Auditor

Findings and Recommendations for Glenwood Resource Center

June 30, 2002

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

No matters were reported.

**Findings Related to Internal Control:**

No matters were reported.

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

Capital Assets – The Glenwood Resource Center is required to keep an up-to-date and accurate capital asset listing to track and maintain control over its capital assets. This includes properly recording deletions for equipment throughout the fiscal year on the capital asset listing. Four capital assets disposed of prior to June 30, 2002 were not properly deleted from the capital asset listing.

Recommendation – The Glenwood Resource Center should implement policies to ensure that its capital assets listing is kept up to date.

Response – The Business Office will make sure all fixed assets are listed and the lists kept up to date.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Ronald D. Swanson, CPA, Manager  
Cory A. Warmuth, CPA, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Jason R. Matter, Staff Auditor  
Erin M. Scharingson, CPA, Staff Auditor  
Elvir Alicic, Assistant Auditor  
Trevor L. Theulen, Assistant Auditor

June 30, 2002

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

No matters were reported.

**Findings Related to Internal Control:**

- (1) Bank Reconciliations – Bank reconciliations for January 2002 through May 2002 were not completed until after June 2002.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved in a timely manner.

Response – Monthly reconciliations will take place by the 15<sup>th</sup> of each month and be reported to the Iowa Juvenile Home Superintendent.

Conclusion – Response accepted.

- (2) County Reimbursements – Chapter 233B.16 of the Code of Iowa requires that, if a child receives unearned income, the department shall reserve a portion of the unearned income for the use of the child as a personal allowance and apply the remaining portion equally to the state and county liability for the cost of the child’s support and maintenance provided. Iowa Juvenile Home-Toledo has not been sending the county share to the recipient counties since 2001.

Recommendation – Amounts owed to recipient counties should be remitted. In the future, payments should be remitted timely.

Response – County share funds have been sent to counties. Iowa Juvenile Home will send county share payments quarterly. An electronic system for tracking county funds has been developed which simplifies the tracking and payment of county funds.

Conclusion – Response accepted.

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

- (1) Capital Assets – The Iowa Juvenile Home is required to keep an up-to-date and accurate capital asset listing to track and maintain control over its capital assets. This includes properly classifying additions and deletions for equipment and vehicles throughout the fiscal year, making additions and deletions to the capital asset listing and ensuring items are properly tagged. Along with the capital asset list, Toledo is required to keep an up-to-date and accurate list of accumulated depreciation on capital assets. This includes calculating accumulated depreciation, and gains and losses on additions and deletions made through out the fiscal year. During testing we noted:

- (1) Four assets observed did not have state tags affixed to them.
- (2) Three vehicle additions were not included and four deletions were not properly removed from the capital asset listing. In addition, five items were improperly included on the capital asset listing after being disposed of.
- (3) Capital asset balances and accumulated depreciation balances were not reported correctly on the GAAP Package.

Findings and Recommendations for State Juvenile Home - Toledo

June 30, 2002

Recommendation – The Iowa Juvenile Home should:

- (1) Develop and implement policies to ensure that its capital asset listing is kept up to date and that all items purchased are properly tagged with the State ID number.
- (2) Ensure that all items included on the capital asset listing are still located at the facility by physical inventory.
- (3) Develop and implement policies to ensure that accumulated depreciation, current fiscal year depreciation, and gains and losses on additions and deletions during the current fiscal year are calculated correctly for capital assets.

Response – By June 15, 2003 the Iowa Juvenile Home will implement the above three recommendations.

Conclusion – Response accepted.

- (2) Scholarship and Activities Fund - General Savings Account – Since the creation in 1993 of the Scholarship and Activities Fund General Savings Account, the only transactions in the account have been small accumulations of interest. The money is not being used for the current benefit of the students. At June 30, 2002, the balance in the Scholarship and Activities Fund General Savings Account was \$8,880.56.

Recommendation – The Scholarship and Activities General Savings Account balance should be reviewed and consideration should be given to activities that would currently benefit students.

Response – The Scholarship and Activities General Savings Account had been closed and the funds have been transferred into the Activities Checking Account to be used for Iowa Juvenile Home student's needs.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Steven M. Nottger, CPA, Manager  
Sarah McFadden CPA, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Pamela L. Brandenburg, Senior Auditor  
Kevin P. Riley, CPA, Staff Auditor  
Curtis J. Schroeder, Assistant Auditor

Findings and Recommendations for State Training School - Eldora

June 30, 2002

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

No matters were reported.

**Findings Related to Internal Control:**

No matters were reported.

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

Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Department to retain cancelled checks in an electronic format and requires retention to include an image of both the front and back of each cancelled check. The School retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

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

Response – As of March 20, 2003 both financial institutions used by the State Training School, Hardin County Savings Bank and F&M Bank, have agreed to immediately begin imaging both the front and back of cancelled checks at no charge to the institution.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

Michelle B. Meyer, CPA, Manager  
Kimberly M. Knight, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Erin M. Scharingson, Staff Auditor  
Kristen E. Harang, CPA, Assistant Auditor  
Jedd D. Moore, Assistant Auditor  
Curtis J. Schroeder, Assistant Auditor

June 30, 2002

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

No matters were reported.

**Findings Related to Internal Control:**

No matters were reported.

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

No matters were reported.

**Staff:**

Questions or requests for further assistance should be directed to:

Steven M. Nottger, CPA, Manager  
Darryl J. Brumm, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on this audit include:

Richard C. Brown, CGFM, Staff Auditor  
Shawn P. Limback, CPA, Staff Auditor  
Beth A. Wichtendahl, CPA, Staff Auditor  
Scott D. Bantz, Assistant Auditor  
Donald N. Miksch, Assistant Auditor