



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

September 13, 2024

Auditor of State Rob Sand today released a report on the Iowa Judicial Branch for the year ended June 30, 2021. The Iowa Judicial Branch is comprised of the Supreme Court, the Court of Appeals, the District Courts, the Clerks of District Court and the Court Administrator.

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

AUDIT FINDINGS:

Sand reported three findings related to the Iowa Judicial Branch. The findings are on pages 3 through 5 of this report. Sand recommended the Judicial Branch implement procedures to improve controls over financial reporting and compliance with requirements for timely submission of unclaimed property to the Office of Treasurer of State. Sand provided the Iowa Judicial Branch with recommendations to address these findings.

Management of the Iowa Judicial Branch have a fiduciary responsibility to provide oversight of the Iowa Judicial Branch operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" management exercises in its fiduciary capacity.

A copy of the report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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

JUNE 30, 2021

Iowa Judicial Branch



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

September 3, 2024

Iowa Judicial Branch
Des Moines, Iowa

To the Iowa Judicial Branch:

I am pleased to submit to you the Report of Recommendations for the Iowa Judicial Branch for the year ended June 30, 2021. The report includes findings pertaining to the Department's internal control which resulted from the fiscal year 2021 audit.

I appreciate the cooperation and courtesy extended by the officials and employees of the Iowa Judicial Branch throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand
Auditor of State

Iowa Judicial Branch



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STATE OF IOWA

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Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

September 3, 2024

To the Iowa Judicial Branch:

The Iowa Judicial Branch is a part of the State of Iowa and, as such, has been included in our audits of the State's Annual Comprehensive Financial Report (ACFR) and the State's Single Audit Report for the year ended June 30, 2021.

In conducting our audits, we became aware of certain aspects concerning the Iowa Judicial Branch's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which pertain to the Judicial Branch's internal controls and statutory requirements and other matters. These recommendations have been discussed with Iowa Judicial Branch personnel and their responses to these recommendations are included in this report. While we have expressed our conclusion on the Iowa Judicial Branch's responses, we did not audit the Iowa Judicial Branch's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Judicial Branch, citizens of the State of Iowa and other parties to whom the Iowa Judicial Branch may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Judicial Branch during the course of our audits. Should you have questions concerning the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Iowa Judicial Branch are listed on page 6 and they are available to discuss these matters with you.

A handwritten signature in black ink, appearing to read "Brian R. Brustkern".

Brian R. Brustkern, CPA
Deputy Auditor of State

cc: Honorable Kim Reynolds, Governor
Kraig Paulsen, Director, Department of Management
Tim McDermott, Director, Legislative Services Agency

June 30, 2021

Findings Reported in the State's Single Audit Report:

No matters were reported.

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

Financial Reporting

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

Departments record receipts and disbursements in the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded in the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS–SAE) in a GAAP package. Departments submit their GAAP package to DAS–SAE by the first week of September each year.

Condition – The Judicial Branch did not properly report activity for the Statement of Fiduciary Net Position or the Statement of Changes in Fiduciary Net Position for fiscal year 2021. The Judicial Branch understated accounts payable by \$40,692,878, reported fiduciary net position of \$4,069,320 when net position should not be reported for the Custodial Fund and understated both Custodial Fund additions and deductions by \$292,361,703.

Cause – Although policies and procedures are in place to review GAAP package information, the review did not identify the misstatement.

Effect – The amounts reported for the Statement of Changes in Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position were misstated.

Recommendation – The Judicial Branch should implement additional policies and procedures to ensure all fiduciary activity is identified and properly reported in the GAAP package.

Response – The Judicial Branch will ensure information reported on their GAAP package is accurate going forward.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

June 30, 2021

Other Findings Related to Internal Control:

Financial Reporting – Schedule of Expenditures of Federal Awards (SEFA)

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the State’s financial statements. Each department prepares a SEFA for all federal funds expended in a year.

Condition - For fiscal year 2021, the Judicial Branch under reported expenditures of federal awards on the Department’s SEFA by \$6,430,192. This error was subsequently corrected for reporting purposes.

Cause – Although policies and procedures are in place to review the Departments SEFA, the review did not identify the misstatement.

Effect – The amount reported by the Department for their SEFA was misstated.

Recommendation – The Department should develop procedures to ensure federal expenditures are properly reported on the Department’s SEFA.

Response – The Department will ensure information reported on the Department’s SEFA is accurate going forward.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

June 30, 2021

Findings Related to Statutory Requirements and Other Matters:

Unclaimed Property – 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 Office of Treasurer of State annually. In addition, each state and territory in the United States requires each County Clerk of District Court to report and remit outstanding obligations, including checks, trusts and bonds. Each state has its own holding period for reporting and submittal. The Iowa Judicial Branch, State Court Administrator’s Office is responsible for preparing this report for certain County Clerk of District Court Offices.

- (a) The State Court Administrator’s Office did not remit all non-trust obligations for certain County Clerk of District Court Offices to the Office of Treasurer of State on a timely basis.
- (b) The State Court Administrator’s Office did not remit all trust obligations for certain County Clerk of District Court Offices to the Office of Treasurer of State on a timely basis.

Recommendation – The Judicial Branch should implement policies and procedures to ensure the report is filed before November 1, in accordance with Chapter 556.11(4) of the Code of Iowa.

Response – We will provide training to the finance staff to educate them on the requirement that the trust list for each clerk’s office is reviewed each year along with the outstanding check list. This will assist in educating them that all items eligible will be remitted at the appropriate time.

Conclusion – Response accepted.

Report of Recommendations to the Iowa Judicial Branch

June 30, 2021

Staff:

Questions or requests for further assistance should be directed to:

Brian R. Brustkern, CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager

Other individuals who participated in the audit include:

Bianca M. Cleary, Senior Auditor
Kerillos M. Hana, Assistant Auditor
Seth W. Franklin, Audit Intern
Samantha A. Hawkins, Audit Intern