
FISCAL UPDATE Article

Fiscal Services Division

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AUDIT REPORT: JUDICIAL DISTRICT DEPARTMENTS OF CORRECTIONAL SERVICES

Audit Report Released. The State Auditor's Office released a combined report on the eight Judicial District Departments of Correctional Services (District Departments) for the year ended June 30, 2016. The Auditor produced findings and provided recommendations for the Second, Sixth, and Eighth District Departments. All responses provided by the District Departments were accepted by the Auditor.

Second Judicial District Department. The Auditor made the following findings related to internal control:

- **Bank Reconciliations.** The audit found the bank reconciliations were not performed monthly for the client assistance accounts. The Auditor recommended that the reconciliation of the book and bank balances be prepared for all accounts and reviewed by an independent person who should document the review by signing or initialing and dating the reconciliations. The District Department responded that it will ensure reconciliation processes are performed and completed for all bank and investment accounts for all months, and these will be prepared and reviewed by independent members of the Department's accounting staff.
- **Receipt Review.** The audit found that for 15 of 25 receipts tested, the individual who signed as receiving and initiating the cash receipt also signed as the reviewer. The Auditor recommended someone independent of receiving and initiating cash receipts should review and initial the cash receipts. The District Department responded that it will strive to ensure that independent members within the Department's accounting staff review receipts and sign receipts.

Sixth Judicial District Department. The Auditor made the following findings related to internal control:

- **Segregation of Duties.** The Auditor recommended that the District Department review its operating procedures to obtain the maximum internal control and utilize current personnel to provide additional control through review of financial transactions, reconciliations, and reports.
- **Vacation Accrual.** The audit found the maximum vacation accrual for several management employees was not properly calculated in accordance with Iowa Code section [70A.1](#). The Auditor recommends the District Department employees' accrued vacation should not exceed the maximum vacation accruals. The District Department responded it will be modifying the vacation cap by the end of FY 2017.
- **Financial Reporting.** The Generally Accepted Accounting Principles (GAAP) package is required to be submitted to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS-SAE) by the first week of September each year. The audit found General Fund expenditures were overstated by \$25,360 due to an error in recording prepaid expenses. The District Department stated it will review the GAAP package and record prepaid expenses accurately.

Eighth Judicial District Department. The Auditor made the following findings related to internal control:

- **Segregation of Duties (Fairfield Administrative Office).** The audit found that the Administrative Officer accounts for receipts and performs the bank reconciliation and the District Director initials the bank reconciliation. Both the Administrative Officer and the Administrative Assistant have access to all the employees' timesheets and are able to prepare and approve any employee's timesheet. The Auditor recommends someone independent of the receipt process should compare receipts to the cash and checks collected, compare the receipts to a validated deposit slip, and initial to indicate review. Also, the payroll journal should be independently reviewed and approved. The District Department responded that an Account Tech has been hired to assist in segregating duties.

- **Youthful Offender Program.** The audit found the Youthful Offender Program, disbanded in 2009, has a bank balance of \$2,976 that is maintained in a separate bank account, but is not included in the District Department's financial statements. The Auditor recommends the District Department include the account in its financial statements and determine appropriate uses of the remaining cash. The District Department responded that the bank account will now be reported on its financial statement.

More Information. The audit report is available on the Auditor of State's website at: auditor.iowa.gov/sites/default/files/audit_reports/1775-0000-0R00.pdf.

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