



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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FOR RELEASE August 6, 2004

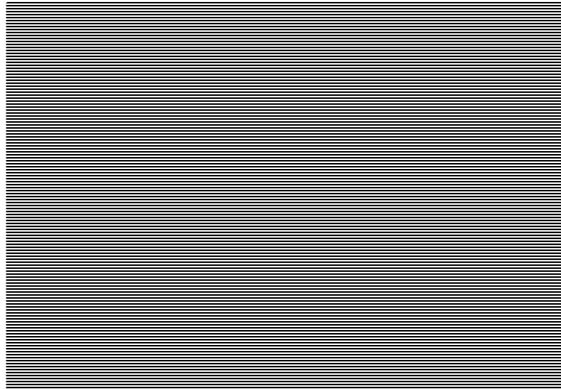
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Auditor of State David A. Vaudt today released a combined report on the institutions under the control of the Iowa Department of Human Services. The report includes findings and recommendations and average cost per resident/patient information for the five years ended June 30, 2003.

The average annualized cost per resident/patient at the nine institutions under the control of the Iowa Department of Human Services ranged from \$58,294 at the State Training School – Eldora to \$191,686 at the Mental Health Institute-Independence and \$272,244 at the Mental Health Institute - Cherokee for the year ended June 30, 2003. However, included in the average annualized cost per resident/patient 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 15.4% during the five year period to over \$152 million, the average number of residents/patients has decreased 4.7%, from 1,288 to 1,228, and the average daily cost per resident/patient increased 21%, from \$281.09 to \$340.10, over the same period.

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

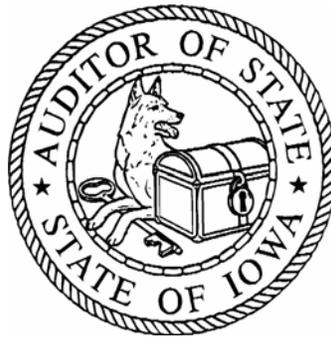
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**COMBINED REPORT ON THE INSTITUTIONS UNDER THE
CONTROL OF THE IOWA DEPARTMENT OF HUMAN SERVICES
SCHEDULES
FINDINGS AND RECOMMENDATIONS**

JUNE 30, 2003

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



**David A. Vaudt, CPA
Auditor of State**

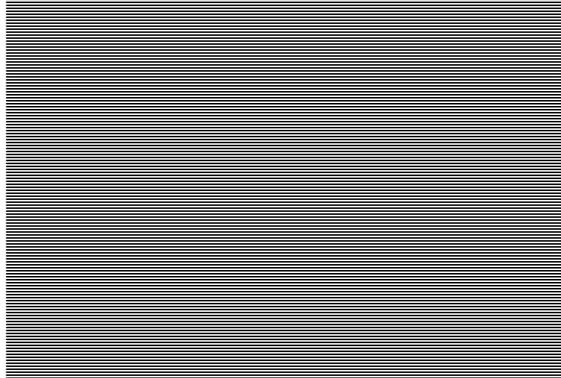


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Telephone (515) 281-5834 Facsimile (515) 242-6134

April 22, 2004

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, 2003.

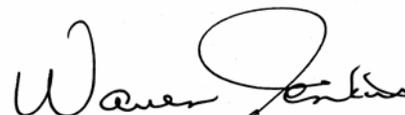
In conducting our audits, we became aware of certain aspects concerning the various Institutions' operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which include those reported within the State's Single Audit Report as well as other recommendations pertaining to internal control, compliance with statutory requirements and other matters. These recommendations have been discussed with applicable Institution personnel and their responses to these recommendations are included in this report.

We have also included certain unaudited financial and other information for the Institutions under the control of the Iowa Department of Human Services for the five years ended June 30, 2003 to report an average cost per resident/patient at each Institution as required by Chapter 11.28 of the Code of Iowa.

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 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 26, 27, 28, 29, 31, 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 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 and 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 was established on 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 facility 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 in Cherokee, Iowa. 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.

Overview

Scope and Methodology

We have calculated an average cost per resident/patient at each Institution for the five years ended June 30, 2003, 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/patient averages may differ from those used for statewide financial statement purposes. These reclassifications and changes are as follows:

- (1) Operating transfers, primarily reimbursements to other state agencies for services, have been reclassified as expenditures for 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/patient schedule for the resource centers or juvenile facilities since the median stay tends to be for a much longer period.

The average annualized cost per resident/patient is calculated using the average number of occupied resident beds. Since the median stay at the Mental Health Institutes tends to be less than the stay at the other Institutions, the cost per stay was calculated for each of the Mental Health Institutes. This represents the average cost for the median stay of each patient 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/patient 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 annualized cost per resident/patient ranged from \$58,294 at the State Training School – Eldora to \$191,686 at the Mental Health Institute-Independence and \$272,244 at the Mental Health Institute – Cherokee for fiscal year 2003, 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. During fiscal year 2003, the Civil Commitment Unit for Sexual Offenders was relocated to a secure facility located in Cherokee, Iowa. The number of residents increased from 1 on July 1, 1999 to 27 on June 30, 2003. As a result, the average cost per resident decreased significantly from fiscal year 2000 to fiscal year 2003.

While total general fund expenditures have increased 15.4%, from \$132,146,472 in 1999 to \$152,440,085 in 2003, the average number of residents/patients has decreased 4.7%, from 1,288 to 1,228, and the average daily cost per resident/patient has increased 21%, from \$281.09 to \$340.10, over the same period.

Median stay ranged from 7 days to 40 days at the four Mental Health Institutes for fiscal year 2003 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/Patient by Institution
(Unaudited)

For the Last Five Fiscal Years

	Year ended June 30, 1999					Cost per Stay
	Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	
Mental Health Institute - Clarinda	67	122	\$ 105,076	287.88	8	\$ 2,303
Mental Health Institute - Mt. Pleasant	60	92	93,342	255.73	26	6,649
Mental Health Institute - Cherokee	67	242	206,826	566.65	12	6,800
Mental Health Institute - Independence	139	364	132,656	363.44	21	7,632
Woodward Resource Center	278	637	111,449	305.34		
Glenwood Resource Center	393	826	102,142	279.84		
State Juvenile Home - Toledo	91	127	69,623	190.75		
State Training School - Eldora	193	203	50,511	138.39		
Civil Commitment Unit for Sexual Offenders	-	-	-	-		
Total	1,288	2,613	\$ 102,598	281.09		

Year ended June 30, 2000						Year ended June 30, 2001					
Average Number of Residents/Patients	Average Number of Employees	Average Annualized Cost per Resident/Patient	Average Daily Cost per Resident/Patient	Median Stay (Days)	Cost per Stay	Average Number of Residents/Patients	Average Number of Employees	Average Annualized Cost per Resident/Patient	Average Daily Cost per Resident/Patient	Median Stay (Days)	Cost per Stay
67	132	\$ 110,121	301.70	9	\$ 2,715	70	128	\$ 109,786	300.78	8	\$ 2,406
67	101	87,580	239.95	28	6,718	74	105	82,960	227.29	28	6,364
68	244	198,851	544.80	11	5,993	70	240	199,971	547.87	12	6,574
152	373	125,335	343.38	21	7,211	152	381	130,560	357.70	24	8,585
281	640	120,557	330.29			279	650	131,584	360.50		
393	836	108,718	297.86			393	850	115,486	316.40		
102	134	65,148	178.49			98	134	70,060	191.95		
177	212	60,071	164.58			181	224	64,115	175.66		
6	15	168,442	461.48			14	22	78,976	216.37		
1,313	2,687	\$ 107,167	293.61			1,331	2,734	\$ 112,202	307.40		

Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient by Institution
(Unaudited)

For the Last Five Fiscal Years

	Year ended June 30, 2002					Cost per Stay
	Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	
Mental Health Institute - Clarinda	63	111	\$ 124,399	340.82	10	\$ 3,408
Mental Health Institute - Mt. Pleasant	69	98	90,440	247.78	28	6,938
Mental Health Institute - Cherokee	64	237	222,897	610.68	13	7,939
Mental Health Institute - Independence	130	351	145,731	399.26	37	14,773
Woodward Resource Center	282	628	133,628	366.10		
Glenwood Resource Center	395	828	119,053	326.17		
State Juvenile Home - Toledo	101	128	68,306	187.14		
State Training School - Eldora	193	217	59,549	163.15		
Civil Commitment Unit for Sexual Offenders	25	31	58,190	159.42		
Total	1,322	2,629	\$ 114,859	314.68		

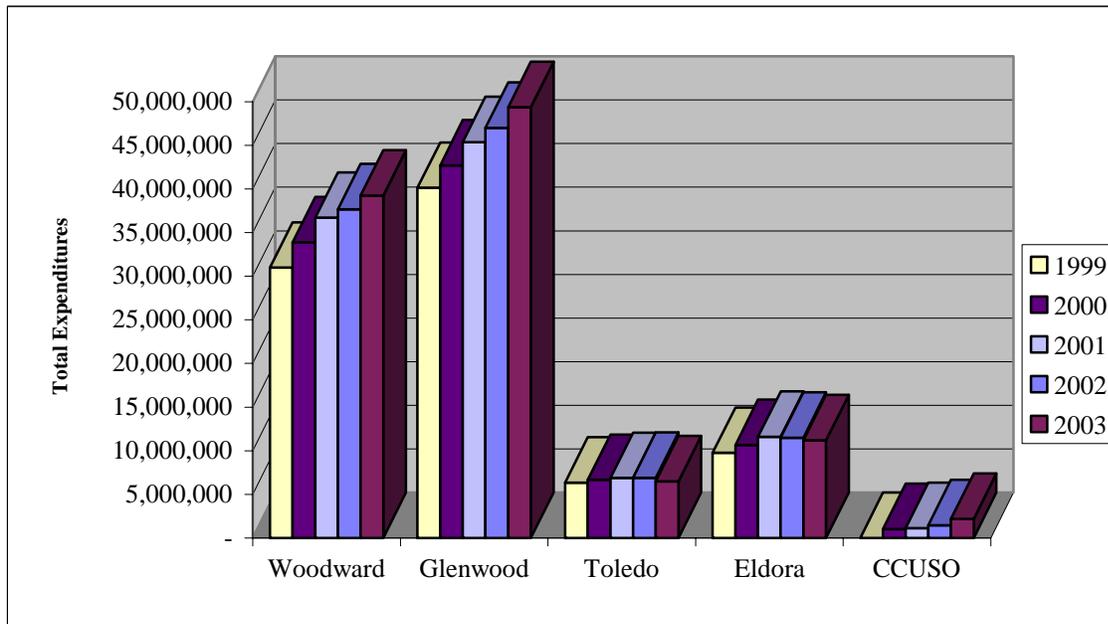
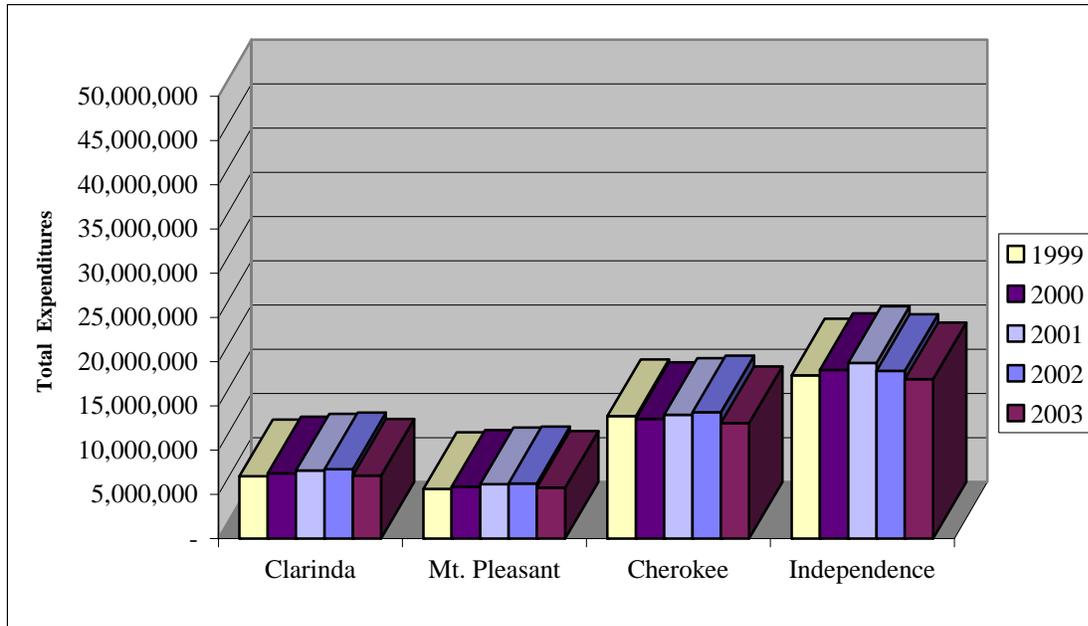
Year ended June 30, 2003					
Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	Cost per Stay
47	97	\$ 151,339	414.63	7	\$ 2,902
52	87	110,369	302.38	29	8,769
48	206	272,244	745.87	15	11,188
94	307	191,686	525.17	40	21,007
281	622	139,616	382.51		
391	803	126,359	346.19		
88	114	73,816	202.24		
192	200	58,294	159.71		
35	27	62,150	170.27		
1,228	2,463	\$ 124,137	340.10		

Iowa Department of Human Services

Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient Information
Total Expenditures
(Unaudited)

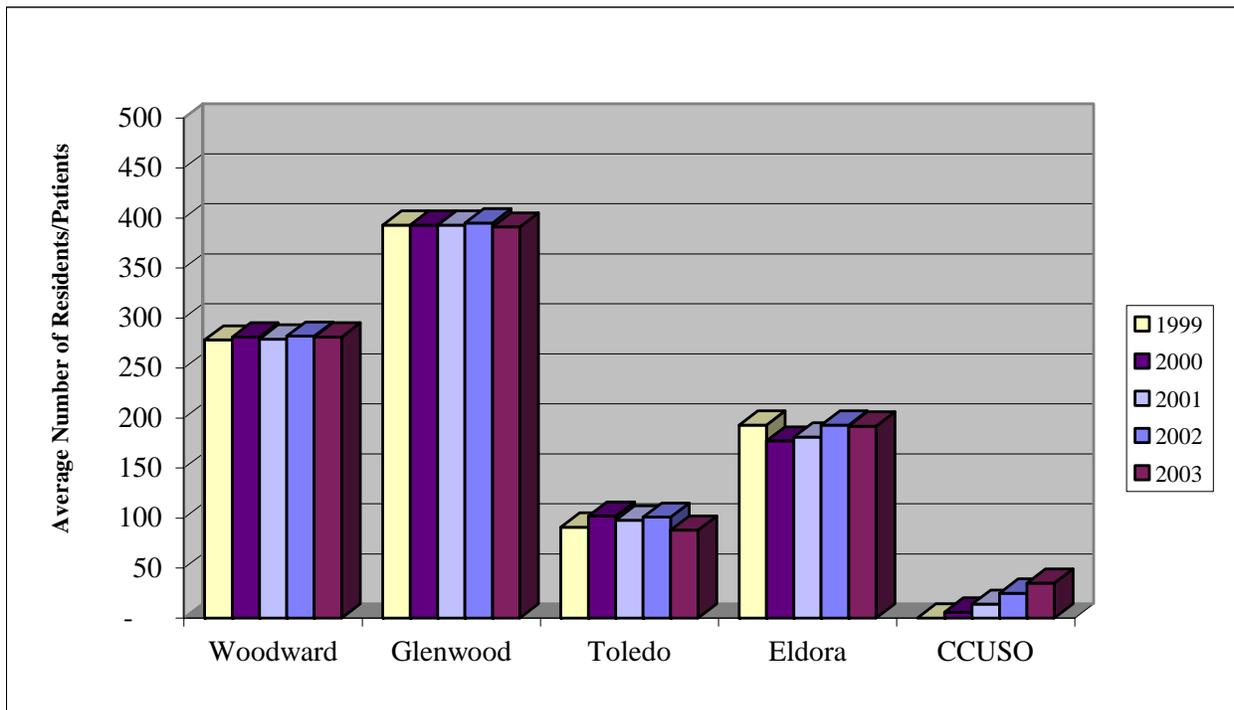
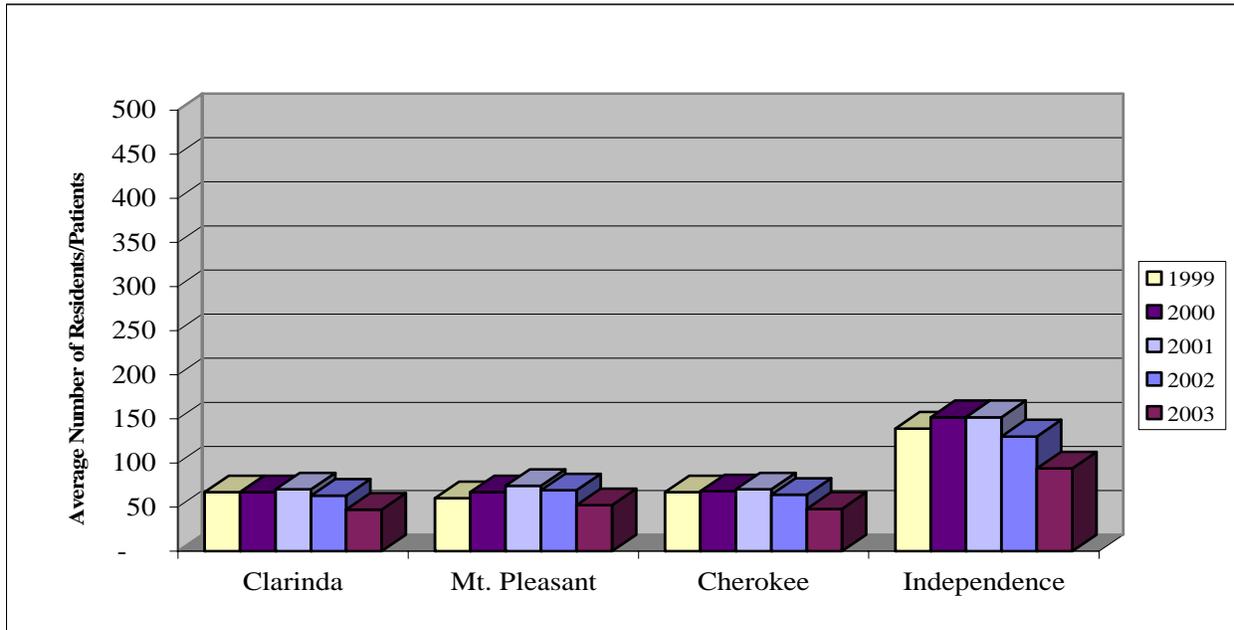
For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient Information
 Average Number of Residents/Patients
 (Unaudited)

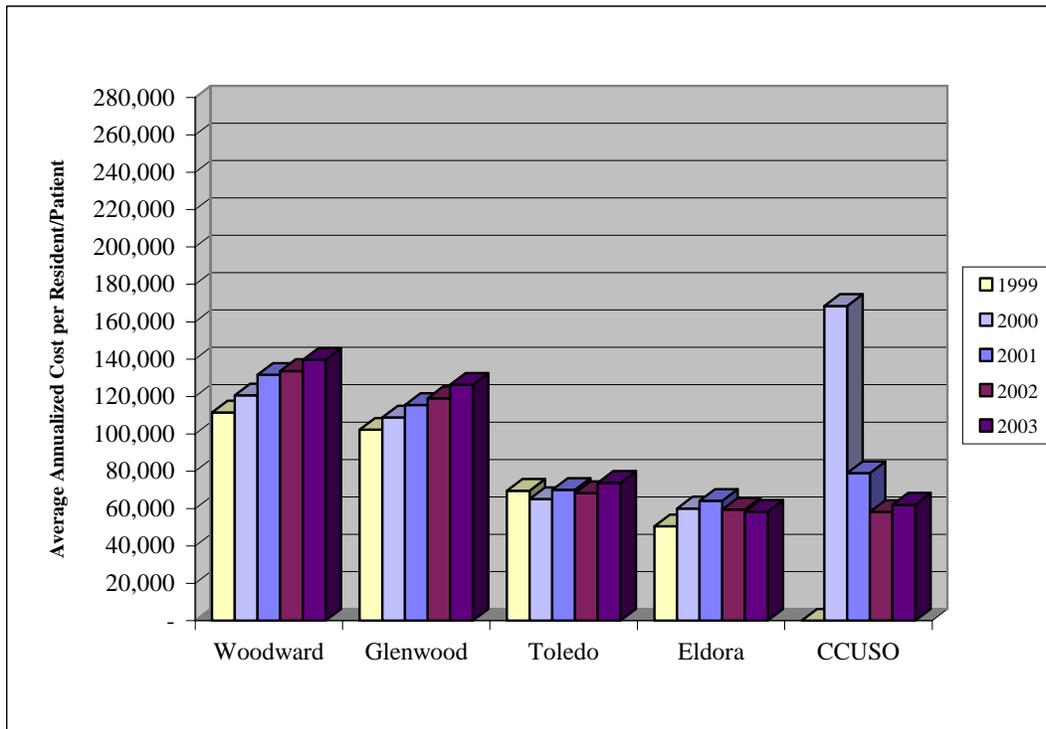
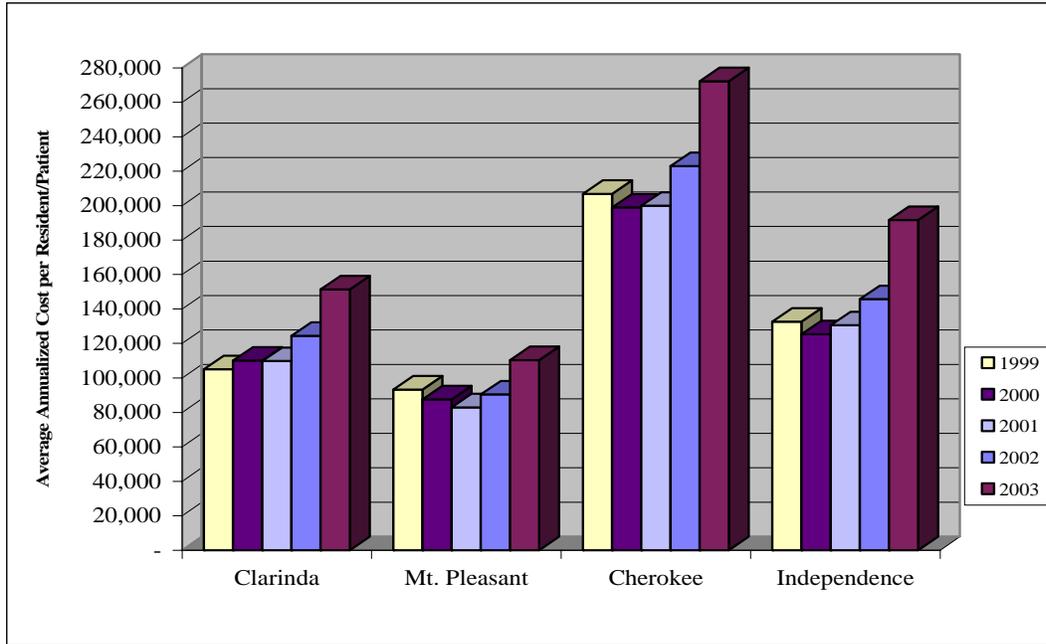
For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient Information
 Average Annualized Cost per Resident/Patient
 (Unaudited)

For the Last Five Fiscal Years



Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 1999

	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

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
(Unaudited)

Year ended June 30, 2000

	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	-	-
Total	\$ 7,378,122	5,867,876	13,521,867	19,050,945

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
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
(Unaudited)

Year ended June 30, 2001

	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	-	-
Total	\$ 7,685,021	6,139,014	13,997,994	19,845,101

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
(Unaudited)

Year ended June 30, 2002

	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	-	-
Total	\$ 7,837,150	6,240,332	14,265,434	18,945,031

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

General Fund Expenditures by Institution
(Unaudited)

Year ended June 30, 2003

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 5,978,245	4,969,954	11,048,774	15,593,703
Travel	18,709	24,533	51,947	32,351
Supplies and materials	534,994	110,191	686,587	671,016
Contractual services	560,529	539,704	1,222,325	1,679,502
Capital outlay	19,959	94,066	57,065	38,930
Claims and miscellaneous	347	7	870	1,158
Licenses, permits, and refunds	160	-	140	1,807
Aid to individuals	-	758	-	-
Total	\$ 7,112,943	5,739,213	13,067,708	18,018,467

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
32,954,167	40,225,392	5,617,914	9,480,977	1,381,651	127,250,777
182,884	188,216	13,323	39,998	76,200	628,161
2,602,096	3,944,846	373,872	517,230	44,672	9,485,504
2,854,374	3,962,768	474,866	1,033,238	577,655	12,904,961
627,080	617,442	8,208	113,292	95,063	1,671,105
11,294	466,818	7,204	4,482	9	492,189
61	810	457	3,195	-	6,630
-	-	-	-	-	758
39,231,956	49,406,292	6,495,844	11,192,412	2,175,250	152,440,085

Institutions Under the Control of the Iowa Department of Human Services

Resident/Patient Population Statistics
(Unaudited)

Year ended June 30, 2003

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Population beginning of year	58	63	60	103
Admissions:				
First admissions	207	435	313	217
Readmissions	98	153	243	170
Returns:				
Home visits	-	-	-	314
Limited leaves	-	8	-	189
Temporary medical transfers	-	-	-	23
Unauthorized departures	-	-	-	4
Total admissions	305	596	556	917
Released:				
Discharges	308	577	570	262
Deaths	-	-	-	-
Home visits	-	-	-	312
Limited leaves	-	-	-	329
Temporary medical transfers	1	21	-	23
Unauthorized departures	-	-	-	5
Other	-	-	-	-
Total released	309	598	570	931
Population end of year	54	61	46	89
Average number of residents/patients	47	52	48	94

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment for Sexual Offenders
282	390	100	208	31
14	24	127	352	13
6	10	-	33	-
-	422	-	-	-
76	3	-	-	-
-	202	-	-	-
-	22	-	-	-
96	683	127	385	13
11	29	141	93	9
4	12	-	-	-
-	419	-	-	-
82	11	-	-	-
-	214	-	-	-
-	4	-	-	-
-	-	-	313	-
97	689	141	406	9
281	384	86	187	35
281	391	88	192	35

June 30, 2003

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:

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June 30, 2003

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:

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June 30, 2003

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:

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June 30, 2003

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:

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Greg A. Prather, Assistant Auditor

Findings and Recommendations for Woodward Resource Center

June 30, 2003

Findings Reported in the State's Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

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

Four of five departments selected for inventory testing had not completed independent inventory counts at June 30, 2003. Also, three of five departments did not adequately segregate duties for inventories within their departments.

Recommendation – Woodward Resource Center should implement policies and procedures to ensure 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 has procedures in place in each of these departments to assure inventory control and is committed to accomplishing these audits this fiscal year.

Conclusion – Response accepted.

- (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, 2003, the detail resident account listing had \$1,876 more than the control account balance on the client banking system. Also, the client banking system balance was \$23,960 more than the master control (check register balance).

Recommendation – The Woodward 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, 2003

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

Questions or requests for further assistance should be directed to:

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June 30, 2003

Findings Reported in the State's Single Audit Report:

CFDA Number: 93.778 – Medical Assistance Program

Agency Number: 05-0305IA5028/050305IA5048

Federal Award Year: 2003

State of Iowa Single Audit Report Comment: 03-III-HHS-411-14

Client Participation Reconciliation – The Resource Center submits estimates of client participation to the Iowa Department of Human Services each month for medical billing calculation. The amounts estimated and reported are not being reconciled to the actual amounts of client participation so that adjustments, if necessary, can be properly processed.

Recommendation – The estimated amounts should be reconciled monthly to the actual client participation to ensure medical billings are properly calculated and billed.

Response and Corrective Action Planned – Before each month's billing cycle, the previous month's actual client participation amounts, as calculated by our Income Maintenance worker, will be entered not the Consultec Medicaid billing system. We will develop a standardized way of maintaining a reconciliation between the two reporting systems.

Conclusion – Response accepted.

Findings Related to Internal Control:

Special Investigation – Client Payroll - Glenwood Resource Center officials requested the Office of Auditor of State conduct a special investigation as a result of alleged improprieties with certain client payroll transactions. The report, dated February 6, 2004, covers the period June 21, 2002 through December 24, 2003. The special investigation identified \$7,991.04 of misappropriated funds reported as client payroll disbursements. Of this amount, misappropriated funds of \$3,744.35 relate to the year ended June 30, 2003.

Copies of the report were filed with the Glenwood Police Department, the Mills County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office.

An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error or irregularities. These procedures provide that the actions of one individual will act as a check on those of another and provide a level of assurance that errors or irregularities will be noted within a reasonable time during the course of normal operations.

Duties for processing client payroll were not adequately segregated. One person received the client timesheets, prepared related payroll records, calculated the amounts of payroll earned by the clients, received cash and placed the cash in the pay envelopes for distribution to the clients.

Recommendation – The Resource Center should review client payroll distribution procedures in an effort to improve the segregation of duties and supervisory control procedures for the preparation and distribution of client payroll. An independent comparison of the time records to payroll requests should be performed.

Response – The following interim client payroll procedures will be implemented immediately to address the segregation of duties and control weaknesses identified in the audit of our client payroll process. These procedures will remain in effect until we develop a business office bank.

Findings and Recommendations for Woodward Resource Center

June 30, 2003

Timekeeping – Glenwood Resource Center (GRC) worksite supervisors will maintain timesheets indicating the hours worked by each client. At the end of each pay period the total hours worked or pieces completed will be tabulated by the worksite supervisor and submitted to the Vocational Services Director or his designee.

Wage Computation – The Vocational Services Director or his designee will prepare a summary of the hours worked/pieces completed and wages earned by each client. The wage summary will identify the amount of cash to be dispersed to each client by denomination and the amount of funds to be deposited into the client's GRC account.

The wage and hour summary report will be given to the Vocational Services secretary to enter the data into the GRC payroll system. After the data is entered into the payroll system, the Vocational Services secretary will complete a quality assurance review of the wage summary report by sampling at least 10% of the timesheets for each worksite. The Assistant Superintendent for Treatment Support Services will be notified of any discrepancies noted during the quality assurance review.

Upon completion of the quality assurance review the wage summary report and the payroll report will be provided to the Client Account Clerk in the Business Office.

Cash Withdrawals – The Client Account Clerk will complete a reconciliation for each program treatment area and prepare a request for cash withdraw for each program treatment area. The payroll system will automatically print labels that identify the payroll date, the client's name, house and amount of payroll cash. The Client Account Clerk will give the payroll labels to the Accounting Technician in the Business Office.

The Client Account Clerk will notify the Business Office Accounting Technician of the total amount of cash to be withdrawn for each client payroll. The Accounting Technician will prepare a check on the GRC contingent account to withdraw the funds from the bank. The Accounting Technician will write the total amount of the payroll, the amount of cash to be withdrawn and the amount to be deposited on the contingent account check stub.

The contingent account check will be given to the Business Office Statistician in a locked bank bag to obtain the funds from the bank. The Statistician will deliver the locked bank bag with the withdrawn funds to the vault in the Business Office.

Upon receipt of the locked bank bag, the Client Account Clerk will count the cash in the presence of a minimum of two Business Office staff to ensure it reconciles with the request for cash withdraw for each program treatment area. The payroll funds will be returned to the Business Office vault until released to the Business Office staff for preparation of the client pay envelopes.

Cash Disbursement – A minimum of two staff from the Business Office will divide the payroll cash into payroll envelopes for each of the client's houses. They will attach the payroll labels to the envelopes for each client. The payroll envelopes will be sealed after all funds are inserted into the envelopes.

The individual payroll envelopes will be kept in the Business Office vault with a summary sheet for each program area until released to the Vocational Services Director or his designee on payday.

Payroll Distributions – On payday the Vocational Services Director or his designee will receive the payroll envelopes from the Business Office. The Vocational Services Director or his designee will sign a release acknowledging receipt of the funds.

Findings and Recommendations for Glenwood Resource Center

June 30, 2003

The Vocational Services Director or his designee will deliver the pay envelopes to the Resident Treatment Supervisors in each of the client's houses for distribution to the clients. The Resident Treatment Supervisors will complete a quality assurance review of at least 10% of the payroll envelopes prior to distribution. The Resident Treatment Supervisors will notify the Assistant Superintendent for Treatment Support Services of any discrepancies discovered in the payroll envelopes.

Conclusion – Response acknowledged. In addition, as recommended in our report dated February 6, 2004, since the resident treatment workers and worksite supervisors are currently the only individuals that both record payroll information and have access to the cash distributed to clients, an independent party should periodically review the timesheets prepared and submitted by the resident treatment workers and worksite supervisors for reasonableness.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Staff:

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June 30, 2003

Findings Reported in the State’s Single Audit Report:

No matters were noted.

Findings Related to Internal Control:

- (1) Timesheet and P-1 Document Approval in HRIS – Certain employees have the ability to provide both the employee and supervisor levels of approval on timesheets and the Personnel Assistant and department level of approval on P-1 documents in HRIS.

Recommendation – The Iowa Juvenile Home should develop and implement policies to require review of the final payroll journal and P-1 documents by an individual independent of approval on HRIS.

Response – The Institution Superintendent will review and initial all P-1 documents prior to processing. The Institution Superintendent, as well as the Business Manager, will review, verify for accuracy, and sign the Payroll Final Report.

Conclusion – Response accepted.

- (2) Per Diem Rate – The per diem rate for resident care was incorrectly calculated for the quarter ended March 31, 2003, resulting in over billings to counties totaling \$274. The rate was calculated using encumbrances and certain incorrect expenditures as well as an incorrect number of delinquent days. The quarterly per diem rate calculation was not reviewed by an independent person.

Recommendation – Quarterly per diem rates should be reviewed by an independent person to ensure accurate rates.

Response – Instructions and training have been implemented for Business Office staff in preparing the quarterly per diem report. The Business Manager will give final approval to the per diem report.

Conclusion – Response accepted.

June 30, 2003

Findings Related to Statutory Requirements and Other Matters:

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 listing, the Iowa Juvenile Home 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 deletions made throughout the fiscal year. During testing we noted:

- (1) Two assets observed did not have State ID tags affixed to them.
- (2) Three items previously disposed of or below the capitalization threshold were improperly included on the capital asset listing.
- (3) Capital asset balances and accumulated depreciation balances were not reported correctly on the GAAP Package.

Recommendation – The Iowa Juvenile Home should:

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

Response – A complete physical inventory will be taken at the Institution on an annual basis. An accurate listing will be maintained in a database as well as the State's I/3 accounting system. Processes are in place for tagging items. A spreadsheet has been developed to correctly calculate capital asset balances and depreciation for capital assets.

Conclusion – Response accepted.

Staff:

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Donald N. Miksch, Assistant Auditor

Findings and Recommendations for State Training School - Eldora

June 30, 2003

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:

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June 30, 2003

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:

K. David Voy, CPA, Manager
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Other individuals who participated on the audits include:

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