



Information to Comply with *Government Auditing Standards* and OMB Circular A-133,
Audits of States, Local Governments, and Non-Profit Organizations

June 30, 2010

County of Linn, Iowa

COUNTY OF LINN, IOWA

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Officials of the County of Linn, Iowa:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Linn, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control 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 on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We also noted certain additional matters that we reported to management of the County of Linn, Iowa, in a separate letter dated December 15, 2010.

The County's responses to the findings identified in our audit are described in the Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit the County'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, employees, and citizens of the County of Linn, Iowa, and other parties to whom the County of Linn, Iowa, may report, including federal awarding agencies and pass-through entities, and 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 County of Linn, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Dubuque, Iowa
December 15, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Officials of the County of Linn, Iowa:

Compliance

We have audited the compliance of the County of Linn, Iowa, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2010. The County's major federal programs are identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in items III-A-10 and III-B-10 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding subrecipient monitoring and allowable costs that are applicable to the programs referenced in those items respectively. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

In our opinion, except for the non-compliance described in the preceding paragraph, the County of Linn, Iowa, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the County of Linn, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Items III-A-10 and III-B-10 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Linn, Iowa, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 15, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses, and accordingly, we express no opinion on the responses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the County of Linn, Iowa, and other parties to whom the County of Linn, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Dubuque, Iowa
March 1, 2011

COUNTY OF LINN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Pass-Through Program From:			
Iowa Department of Education:			
School Breakfast Program	10.553	57-8012	\$ 45,488
School Breakfast Program	10.553	57-8022	10,332
			55,820
ARRA - National School Lunch Program	10.555	57-8022	15,482
			89,157
Iowa Department of Human Services:			
Human Services Administrative			
Reimbursement:			
State Administrative Matching			
Grants for the Supplemental			
Nutrition Assistance Program	10.561		
			89,157
Direct Program:			
Emergency Watershed Protection			
Program	10.923		93,471
Emergency Watershed Protection			
Program	10.923		38,189
			131,660
Total U.S. Department of Agriculture			292,119
U.S. Department of Housing and Urban Development:			
Pass-Through Program From:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program and Non- Entitlement Grants in Hawaii	14.228	08-DRH-005	3,505,623
Community Development Block Grants/ State's Program and Non- Entitlement Grants in Hawaii	14.228	08-DRH-205	344,843
Community Development Block Grants/ State's Program and Non- Entitlement Grants in Hawaii	14.228	08-DRB-210	1,569,039
			5,419,505
City of Cedar Rapids, IA:			
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	IALHB0388-08	131,863
Total U.S. Department of Housing and Urban Development			5,551,368

(continued)

COUNTY OF LINN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice:			
Direct Program:			
High Intensity Drug Trafficking Areas	16.000		\$ 138,619
Supervised Visitation, Safe Havens for Children	16.527		34,318
Edward Byrne Memorial Justice Assistance Grant Program	16.738		6,431
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to Units of Local Government	16.804		204,413
Total U.S. Department of Justice			383,781
U.S. Department of Transportation:			
Pass-Through Program From:			
East Central Iowa Council of Governments:			
Formula Grants for Other than Urbanized Areas	20.509		89,467
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	09-410 Task 45	10,738
State and Community Highway Safety	20.600	10-410 Task 45	26,541
			37,279
Total U.S. Department of Transportation			126,746
U.S. Environmental Protection Agency:			
Direct Program:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		61,303
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		13,876
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		26,514

(continued)

COUNTY OF LINN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency: (continued)			
Pass-Through Program From:			
Iowa Department of Natural Resources:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	2006-7230-03	\$ 17,500
Iowa Department of Human Services:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	FSA7-08-001	11,630
Iowa Department of Public Health:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	5880RC02	133,065
			263,888
Iowa Department of Natural Resources:			
Performance Partnership Grants	66.605	2010-7230-03	123,566
Total U.S. Environmental Protection Agency			387,454
U.S. Department of Education:			
Pass-Through Program From:			
Iowa Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	11-MO5OLC-28	1,410
Iowa Department of Public Health:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	5880C057	23,756
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090016A	50,715
			74,471
Total U.S. Department of Education			75,881

(continued)

COUNTY OF LINN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Pass-Through Program From:			
Heritage Area Agency on Aging:			
Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	93.048	1008	\$ 10,785
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5889BT57	731,882
Medicare Enrollment Assistance Program	93.071	1002	8,039
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2009-TB13	1,725
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2010-TB03	3,800
			<u>5,525</u>
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5880LP06	17,803
State Capacity Building	93.240	5880HH05	1,090
State Capacity Building	93.240	5881HH05	1,690
			<u>2,780</u>
Immunization Grants	93.268	5880I448	11,194
Immunization Grants	93.268	5889I448	15,074
			<u>26,268</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5880OB12	39,031
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5880NB16	29,340
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2010-ELC05	900
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2011-ELC05	220
			<u>69,491</u>

(continued)

COUNTY OF LINN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services: (continued)			
Pass-Through Program From: (continued)			
Iowa Department of Human Services:			
Human Services Administrative			
Reimbursement:			
Temporary Assistance for Needy Families	93.558		\$ 45,684
Temporary Assistance for Needy Families	93.558	DCAT-7-10-104	<u>9,212</u>
			<u>54,896</u>
Child Support Enforcement	93.563	BOC-10-001	<u>998,301</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>252</u>
Child Care and Development Block Grant	93.575	ACFS-11-034	<u>497,251</u>
Human Services Administrative			
Reimbursement:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>23,445</u>
Hawkeye Area Community Action Program:			
Head Start	93.600	07CH6114	<u>139,004</u>
Human Services Administrative			
Reimbursement:			
Foster Care - Title IV-E	93.658		<u>47,645</u>
Adoption Assistance	93.659		<u>11,927</u>
Social Services Block Grant	93.667	5888C057	48,608
Social Services Block Grant	93.667	57-0021/30-57-039	730,458
Social Services Block Grant	93.667	MHDS-09-086	1,057,754
Social Services Block Grant	93.667		<u>47,250</u>
			<u>1,884,070</u>
Children's Health Insurance Program	93.767		<u>533</u>
Medical Assistance Program	93.778		<u>100,669</u>

(continued)

COUNTY OF LINN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services: (continued)			
Direct Program:			
ARRA - Strengthening Communities Fund	93.711		\$ 61,214
Pass-Through Program From:			
Iowa Department of Public Health:			
ARRA - Immunization	93.712	5880I448	7,612
ARRA - Prevention and Wellness Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	5880TOB02	62,386
HIV Care Formula Grants	93.917	5880HC08	50,110
HIV Prevention Activities - Health Department Based	93.940	5889AP09	5,122
HIV Prevention Activities - Health Department Based	93.940	5889AP17	12,299
HIV Prevention Activities - Health Department Based	93.940	5880AP09	7,619
			<u>25,040</u>
Block Grants for Community Mental Health Services	93.958	DCFS7-10-076	109,000
Preventive Health and Health Services Block Grant	93.991	5889AP09	3,864
Total U.S. Department of Health and Human Services			<u>4,949,792</u>
Corporation for National and Community Service:			
Pass-Through Program From:			
Iowa Commission on Volunteer Services:			
AmeriCorps	94.006	08-AC-16	23,193
AmeriCorps	94.006	09-AC-16	117,133
Total Corporation for National and Community Service			<u>140,326</u>

(continued)

COUNTY OF LINN, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Social Security Administration:			
Pass-Through Program From:			
Iowa Department of Human Services:			
Social Security Disability Insurance	96.001		\$ 155
U.S. Department of Homeland Security:			
Pass-Through Program From:			
United Way of America:			
Emergency Food and Shelter National Board Program	97.024	28-2964-00	71,297
Iowa Department of Homeland Security:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1763	5,624,922
Iowa Department of Public Defense:			
Buffer Zone Protection Program	97.078	2007-BZ-T7-0008	126,119
Direct Program:			
ARRA - Emergency Food and Shelter National Board Program	97.114		53,069
Total U.S. Department of Homeland Security			5,875,407
Total			\$ 17,783,029

COUNTY OF LINN, IOWA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County of Linn, Iowa, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the County of Linn, Iowa, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 5,419,505
Edward Byrne Memorial Justice Assistance Grant Program	16.738	6,431
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	204,413
ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act	84.397	4,654
Public Health Emergency Preparedness	93.069	352,709
Temporary Assistance for Needy Families	93.558	28,658
Child Care and Development Block Grant	93.575	478,576
HIV Care Formula Grants	93.917	22,812
Block Grants for Community Mental Health Services	93.958	109,000
AmeriCorps	94.006	94,341
Emergency Food and Shelter National Board Program	97.024	69,848
ARRA – Emergency Food and Shelter National Board Program	97.114	23,568

COUNTY OF LINN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part I: Summary of the Independent Auditor's Results:

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weakness identified	Yes
Significant deficiency	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiency	None reported
Type of auditor's report issued on compliance for major programs	Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
16.804	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government
93.069	Public Health Emergency Preparedness
93.667	Social Services Block Grant
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between Type A and Type B programs	\$533,491
Auditee qualified as low-risk auditee	No

COUNTY OF LINN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESS

II-A-10 Material Audit Adjustment

Criteria – A properly designed system of internal control over financial reporting allows for the preparation of financial statements which are free from material misstatement and presented in conformity with generally accepted accounting principles (GAAP).

Condition – As a result of our audit procedures, we were required to propose a material adjustment to record additional accounts payable in the Secondary Roads Fund.

Effect – Had the proposed adjustment not been made, the financial statements would have been materially misstated.

Cause – The cause of the adjustment appears to be that staff did not identify certain payments that occurred after year end that should have been accrued for financial statement purposes.

Recommendation – We recommend that those responsible for preparation of the financial statements perform a more thorough review of the items needed to report in accordance with GAAP and communicate with other departments to ensure completeness of the information received.

Response – All departments and elected offices will be reminded of proper recording of expenditures. Additionally, staff of the Finance and Budget Department will review all significant transactions for proper recording.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

MATERIAL WEAKNESS

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-Through Agency Numbers: 08-DRH-005, 08-DRH-205, and 08-DRB-210
U.S Department of Housing and Urban Development
Pass-Through the Iowa Department of Economic Development

III-A-10 Subrecipient Monitoring

Criteria – The provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and 31 USC 7502(f)(2)(B) (Single Audit Act Amendments of 1996 (Pub. L. No. 104-156) require the recipient of federal grants to perform certain monitoring functions when passing funds through to a subrecipient in order to ensure that the subrecipient is following all applicable requirements.

Condition – Other than obtaining a signed subrecipient agreement, it appears the County performed no further monitoring procedures of the subrecipient.

COUNTY OF LINN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs for Federal Awards: (continued)

Effect – The County may not have knowledge about whether the subrecipient is in compliance with all relevant provisions of the grant agreement and federal regulations surrounding grants. Therefore the funds could potentially be spent inappropriately and provisions of specific grant requirements and federal grant requirements are not being met.

Cause – The County was unaware of their monitoring responsibilities.

Recommendation – The County should review the sources of governing requirements referenced above and begin performing appropriate monitoring procedures.

Management's Response – The County has reviewed governing requirements and will perform necessary monitoring.

Conclusion – Response accepted.

MATERIAL WEAKNESS/QUESTIONED COSTS

CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Pass-Through Agency Number: DR-1763
U.S Department of Homeland Security
Pass-Through the Iowa Department of Homeland Security

III-B-10 Allowable Costs

Criteria – The provisions of the grant and the related project worksheets set forth the types of expenditures that are eligible for reimbursement.

Condition – An invoice from Terracon was charged to PW OPE001 in the amount of \$1,750 in error. This expenditure was actually for the Juvenile Justice Center, which is not a project funded by this grant. Also \$32,083 was charged against PW SOE002 in error. This amount was for a down payment on furnishings, and when the final invoice was received the amount was not deducted from the payment. The County subsequently received a credit from the vendor but did not correct the request for reimbursement from the grant.

Questioned Costs – \$33,833

Effect – The County requested reimbursement for expenditures that were not allowable costs under provisions of the grant.

Cause – Both instances resulted from clerical errors on the part of the County

Recommendation – The County should exercise due care in processing all requests for grant reimbursements to verify that they are only requesting reimbursement for eligible costs.

Management's Response – The County will exercise due care in processing requests. Initial processing has been reassigned to the Accounting Analyst position with Finance and Budget.

Conclusion – Response accepted.

COUNTY OF LINN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010, exceeded the amounts budgeted in the mental health, board of supervisors, and purchasing departments.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County understands the budget should have been amended prior to disbursement of amounts that exceed budget. An internal report that monitors budget versus actual expenditures is now run throughout the year rather than at year-end only.

Conclusion – Response accepted.

IV-B-10 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-10 Business Transactions – Business transactions between the County and County Officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Lu Barron, Supervisor, spouse is owner of Barron Motor Supplies, Inc.	Batteries, per bid	\$ 1,198
Jim Houser, Board of Supervisors, spouse was paid as a deputy medical examiner	Medical examiner	\$ 5,187
Steve Tucker, Finance Director, spouse is a court reporter sometimes used by the County to obtain documents on certain cases	Court documents	\$ 1,050
Randall Clapp, Election Tech, wife was paid as an election worker	Election worker	50

COUNTY OF LINN, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting: (continued)

In accordance with Chapter 331.342(4) of the Code of Iowa, the transactions with the Supervisor do not appear to represent conflicts of interest since they were entered into through competitive bidding. The transactions with Jim Houser could represent a conflict of interest, and the County should get an opinion from the County Attorney. In accordance with Chapter 331.342 of the Code of Iowa, the transactions with the Finance Director do not appear to represent conflicts of interest because these transactions are a result of this being professional services and the fact that the transaction is the default of his spouse being the reporter on a certain case. The transactions with the election wages do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year as allowed by Chapter 331.342(10) of the Code of Iowa.

Recommendation – The County should develop a conflict of interest policy and inform all employees of the bidding requirements if transactions exceed the \$1,500 limit imposed by Chapter 331.342 of the Code of Iowa.

Response – A draft conflict of interest policy has been reviewed by the County Attorney. Based on the review, changes to the draft will be made and presented to the Board of Supervisors for consideration.

Conclusion – Response accepted.

- IV-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-10 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-10 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in the governmental funds balance sheet or statement of revenues, expenditures, and changes in fund balances.

Disbursements during the year ended June 30, 2010, for the County Extension Office did not exceed the amount budgeted.