



Information to Comply with Government Auditing Standards
and OMB Circular A-133, Audits of States, Local
Governments, and Non-Profit Organizations
June 30, 2011

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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 15, 2011. 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 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-11 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, 2011, 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.

The County's response to the finding identified in our audit is described in the Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's response, we did not audit the County's response, and accordingly, we express no opinion on it.

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.



Dubuque, Iowa
December 15, 2011



Independent Auditor’s 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, 2011. 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 noncompliance 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 of the County’s compliance with those requirements.

In our opinion, 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, 2011.

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 the 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.

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, noncompliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 15, 2011, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements 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, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Sully LLP

Dubuque, Iowa
February 8, 2012

County of Linn, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Food and Nutrition Service Cluster			
Pass-Through Program From:			
Iowa Department of Education:			
School Breakfast Program	10.553	57-8022	\$ 9,944
ARRA - National School Lunch Program	10.555	57-8022	15,426
Child and Adult Care Food Program	10.558	57-8012	51,957
Summer Food Service Program for Children	10.559	073211	400
Total Food and Nutrition Service Cluster			<u>25,770</u>
Pass-Through Program From:			
Iowa Department of Human Services:			
Human Services Administrative			
Reimbursement:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		114,630
Total U.S. Department of Agriculture			<u>192,357</u>
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-205	1,174,216
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRH-005	1,357,912
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRB-210	3,739,408
Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRMH-036	3,765
			<u>6,275,301</u>

County of Linn, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development: (continued)			
Pass-Through Program From: (continued)			
City of Cedar Rapids, IA:			
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	IALHB0388-08	\$ 120,520
Total U.S. Department of Housing and Urban Development			<u>6,395,821</u>
U.S. Department of Justice:			
Direct Program:			
Supervised Visitation, Safe Havens for Children	16.527		<u>33,280</u>
Pass-Through Program From:			
Iowa Department of Human Rights Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	06-JD09-10F	<u>12,220</u>
Enforcing Underage Drinking Laws Program	16.727	JJYD-F10-11	<u>6,600</u>
JAG Cluster			
Direct Program:			
Edward Byrne Memorial Justice Assistance Grant	16.738		<u>79,458</u>
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.804		<u>134,091</u>
Total JAG Cluster			<u>213,549</u>
Total U.S. Department of Justice			<u>265,649</u>
U.S. Department of Transportation:			
Pass-Through Program From:			
Iowa Department of Transportation Highway Planning and Construction	20.205	EDP-0006 (091)-7Y-57	<u>708,781</u>
East Central Iowa Council of Governments:			
Formula Grants for Other than Urbanized Areas	20.509	18-0029-100-11	<u>83,093</u>

County of Linn, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation: (continued)			
Pass-Through Program From: (continued)			
City of CR Five Season's Transportation & Parking New Freedom Program	20.521	57-x001-118-09	\$ 22,530
Governor's Traffic Safety Bureau			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	10-410 Task 45	13,302
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	11-410 Task 47	38,931
			<u>52,233</u>
Total U.S. Department of Transportation			<u>866,637</u>
U.S. Environmental Protection Agency:			
Pass-Through Program From:			
Iowa Department of Public Health State Indoor Radon Grants	66.032	5881RC02	93,346
Direct Program:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		74,267
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		10,511
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		22,744
Pass-Through Program From:			
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	14,446

County of Linn, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency: (continued)			
Pass-Through Program From: (continued)			
Iowa Department of Natural Resources:			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act			
	66.034	ESD7230 Claims110001	\$ 17,500
			<u>139,468</u>
State Clean Diesel Grant Program			
	66.040	ESD7270 Claims100143	82,657
Capitalization Grants for Drinking Water State Revolving Funds			
	66.468	ESD7159CHE NDE100001	6,750
Performance Partnership Grants			
	66.605	ESD7230 Claims110001	66,255
Total U.S. Environmental Protection Agency			<u>388,476</u>
U.S. Department of Energy:			
Pass-Through Program From:			
Iowa Economic Development Authority ARRA - State Energy Program			
	81.041	SEP10-5778	21,020
U.S. Department of Education:			
Pass-Through Program From:			
Iowa Department of Human Services: Rehabilitation Services - Vocational Rehabilitation Grants to States			
	84.126	11-MOSOLC-28	704
U.S. Department of Health and Human Services:			
Pass-Through Program From:			
Heritage Area Agency on Aging: Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers			
	93.044		5,513
Special Programs for the Aging - Title IV - and Title II - Discretionary Projects			
	93.048	1008	23,138
Special Programs for the Aging - Title IV - and Title II - Discretionary Projects			
	93.048	IDA#1008	40,626
			<u>63,764</u>

County of Linn, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<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 Public Health:			
Public Health Emergency Preparedness	93.069	5880BT57	\$ 69,577
Public Health Emergency Preparedness	93.069	5881BT357	67,915
Public Health Emergency Preparedness	93.069	5881BT57	60,005
			<u>197,497</u>
Medicare Enrollment Assistance Program	93.071	1002	7,778
Medicare Enrollment Assistance Program	93.071	IDA#1114	1,150
			<u>8,928</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2011-TB04	<u>5,675</u>
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	5881LP06	<u>17,799</u>
State Capacity Building	93.240	5881HH05	<u>4,646</u>
Immunization Grants	93.268	5880I448	11,105
Immunization Grants	93.268	5881I448	11,919
			<u>23,024</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5881CRC03	2,140
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5U38HM000449-03	4,000
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5881OB12	19,566

County of Linn, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<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 Public Health: (continued)			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5881NB16	\$ 20,620
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	MOU-2011-ELC05	900
			<u>47,226</u>
Iowa Department of Human Services:			
Child Support Enforcement	93.563	BOC-11-001	<u>1,027,484</u>
Refugee and Entrant Assistance - State Administered Programs	93.566		<u>78</u>
Child Care Cluster			
Pass-Through Program From:			
Iowa Department of Human Services:			
Child Care and Development Block Grant Human Services Administrative Reimbursement:	93.575	ACFS-11-034	<u>407,887</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>27,795</u>
ARRA - Child Care and Development Block Grant	93.713	ACFS-11-070	<u>18,186</u>
Total Child Care Cluster			<u>453,868</u>
Pass-Through Program From:			
Hawkeye Area Community Action Program:			
Head Start	93.600	07CH6114	<u>137,580</u>

County of Linn, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<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:			
Foster Care - Title IV-E	93.658		\$ 45,300
Adoption Assistance	93.659		11,023
Social Services Block Grant	93.667	MHDS-09-086	31,586
Social Services Block Grant	93.667	57-0021/30-57-039	746,451
Social Services Block Grant	93.667		39,034
			<u>817,071</u>
Direct Program:			
ARRA - Strengthening Communities Fund	93.711		<u>63,658</u>
Pass-Through Program From:			
Iowa Department of Public Health:			
ARRA - Immunization	93.712	5880I448	<u>7,551</u>
ARRA - Prevention and Wellness			
Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	5880TOB02	<u>1,002,306</u>
Iowa Department of Human Services:			
Children's Health Insurance Program	93.767		<u>515</u>
Human Services Administrative			
Reimbursement:			
Medical Assistance Program	93.778		<u>109,927</u>
Iowa Department of Public Health:			
HIV Care Formula Grants	93.917	5881HC08	<u>64,587</u>
HIV Prevention Activities - Health			
Department Based	93.940	5881AP09	8,412
HIV Prevention Activities - Health			
Department Based	93.940	5880AP09	<u>8,395</u>
			<u>16,807</u>

County of Linn, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

<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: (continued)			
Block Grants for Community Mental Health Services	93.958	DCFS7-10-076	\$ 9,998
Block Grants for Community Mental Health Services	93.958	MHDS 11-049	<u>62,500</u>
			<u>72,498</u>
Total U.S. Department of Health and Human Services			<u>4,204,325</u>
U.S. Corporation for National and Community Service:			
Pass-Through Program From:			
Iowa Commission on Volunteer Services: AmeriCorps	94.006	09-AC-16	<u>28,696</u>
U.S. Executive Office of the President			
Direct Program:			
High Intensity Drug Trafficking Areas	95.001		<u>203,342</u>
U.S. Social Security Administration:			
Pass-Through Program From:			
Iowa Department of Human Services: Social Security - Disability Insurance	96.001		<u>35</u>
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	<u>5,000</u>
Iowa Department of Homeland Security: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1763	<u>18,274,441</u>
Iowa Department of Public Defense: Hazard Mitigation Grant	97.039	HMGP-DR- 1763-0036-1	<u>18,080</u>
Total U.S. Department of Homeland Security			<u>18,297,521</u>
Total Expenditures of Federal Awards			<u>\$ 30,864,583</u>

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:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 6,271,536
Edward Byrne Memorial Justice Assistance Grant Program	16.738	26,497
ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	98,263
Public Health Emergency Preparedness	93.069	21,000
Child Care and Development Block Grant	93.575	407,887
ARRA – Child Care and Development Block Grant	93.713	18,186
HIV Care Formula Grants	93.917	63,103
Block Grants for Community Mental Health Services	93.958	72,498
AmeriCorps	94.006	16,567
Emergency Food and Shelter National Board Program	97.024	5,000

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	No
Significant deficiency	Yes
Type of auditor's report issued on compliance for major programs	Unqualified
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
Cluster: 93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.713	ARRA – Child Care and Development Block Grant
93.724	ARRA – Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)
Dollar threshold used to distinguish between Type A and Type B programs	\$925,937
Auditee qualified as low-risk auditee	No

Part II: Findings Related to the Financial Statements:

Material Weakness

II-A-11 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 material adjustments to record additional accounts receivable in the Capital Projects 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 receipts 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:

Significant Deficiency

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

Passed through the Iowa Department of Economic Development

III-A-11 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.

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

Condition – The County substantially improved its subrecipient monitoring procedures from fiscal year 2010, but still had a deficiency related to reviewing the subrecipient’s audit. Although the county received the audit report they did not perform review procedures related to the federal program to verify whether the audit reported any findings for the program.

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 relating to reviewing the subrecipient’s audit.

Recommendation – The County should again review the sources of governing requirements referenced above and begin performing appropriate monitoring procedures related to the subrecipient’s audit.

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

Conclusion – Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 **Certified Budget** – Disbursements during the year ended June 30, 2011, exceeded the amounts budgeted in the board of supervisors department and for capital projects.

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-11 **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-11 **Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

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

IV-D-11 **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	\$ 2,235
Judy Commings, Options employee, spouse is owner of Aqua Technologies	Maintenance/Service Contract	\$ 18,211
Jim Houser, Board of Supervisors, spouse was paid as a deputy medical examiner	Medical examiner	\$ 1,985
Steve Tucker, Finance Director, spouse is a court reporter sometimes used by the County to obtain documents on certain cases	Court documents	\$ 772
Ilene Wright, Supervisor Board Receptionist, spouse is Robert Wright, landlord	Rent	\$ 700

In accordance with Chapter 331.342(4) of the Code of Iowa, the transactions with Barron Motor Supplies do not appear to represent conflicts of interest since they were entered into through competitive bidding. The transactions with Aqua Technologies may represent a conflict of interest since they were not entered into through competitive bidding in accordance with Chapter 331.342(4) of the Code of Iowa. The transactions with Jim Houser may 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 Ilene Wright do not appear to represent a conflict 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 continue to inform all employees of the bidding requirements if transactions exceed the \$1,500 limit imposed by Chapter 331.342 of the Code of Iowa and abide by its conflict of interest policy.

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

- Response** – Subsequent to the potential conflicts of interests cited, the County passed a conflict of interest policy. The County’s intranet site includes this and all other financial policies. The conflict of interest policy is also included in the County’s Employee Handbook.
- Conclusion** – Response accepted.
- IV-E-11 **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-11 **Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-11 **Deposits and Investments** – No instances of noncompliance 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-11 **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-11 **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, 2011, for the County Extension Office did not exceed the amount budgeted.