



Information to Comply with *Government Auditing Standards* and the Uniform Guidance  
June 30, 2018

County of Linn, Iowa

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**Independent Auditor’s 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, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Linn, Iowa, (County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated November 28, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in Part II of the schedule of findings and questioned costs, we identified a certain deficiency in internal control 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 described in Part II of the schedule of findings and questioned costs as item 2018-A to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance 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, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County and are reported in Part IV of the schedule of findings and questioned costs. 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.

### **County's Responses to Findings**

The County's responses to the findings identified in our audit are described in the schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa  
November 28, 2018



**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

To the Officials of the County of Linn, Iowa:

**Report on Compliance for Each Major Federal Program**

We have audited the County of Linn, Iowa’s (County) compliance with the types of compliance requirements described in the *OMB 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, 2018. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County’s compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

### **Report on Internal Control over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *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.

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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental 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, 2018, and have issued our report thereon dated November 28, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Eide Bailly LLP*

Dubuque, Iowa  
February 13, 2019

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Agriculture:				
Child Nutrition Cluster:				
Pass-Through Program From:				
Iowa Department of Education:				
School Breakfast Program	10.553	57-8022	\$ 9,029	\$ -
National School Lunch Program	10.555	57-8022	14,465	-
Summer Food Service Program for Children	10.559	033518	1,960	-
Total Child Nutrition Cluster			<u>25,454</u>	<u>-</u>
Direct Program:				
Child and Adult Care Food Program	10.558		<u>58,383</u>	<u>-</u>
SNAP Cluster				
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	N/A	<u>124,608</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>208,445</u>	<u>-</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	<u>1,833</u>	<u>1,833</u>
City of Cedar Rapids, IA:				
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	IALHB0548-13	<u>8,583</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>10,416</u>	<u>1,833</u>
U.S. Department of the Interior Fish and Wildlife Service:				
Direct Program:				
Fish and Wildlife Management Assistance	15.608		87,500	-
Pass-Through Program From:				
Iowa Department of Natural Resources:				
Fish and Wildlife Management Assistance	15.608	F15AC00373	22,500	-
Fish and Wildlife Management Assistance	15.608	F15AC00905	1,000	-
Total U.S. Department of the Interior Fish and Wildlife Service			<u>111,000</u>	<u>-</u>

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Interior National Park Service:				
Pass-Through Program From:				
Iowa Department of Natural Resources:				
Outdoor Recreation Acquisition, Development and Planning				
	15.916	19-01312	\$ 18,698	\$ -
U.S. Department of Justice:				
Pass-Through Program From:				
Iowa Department of Human Rights:				
Juvenile Justice and Delinquency Prevention Allocation to States				
	16.540	06-JD16-17F	20,171	-
Governor's Office of Drug Control Policy:				
Edward Byrne Memorial Justice Assistance Grant Program				
	16.738	15JAG196638	30,917	30,917
Direct Program:				
Edward Byrne Memorial Justice Assistance Grant Program				
	16.738		37,885	-
Edward Byrne Memorial Justice Assistance Grant Program				
	16.738		1,833	-
			<u>70,635</u>	<u>30,917</u>
Total U.S. Department of Justice			<u>90,806</u>	<u>30,917</u>
U.S. Department of Transportation:				
Highway Planning and Construction Cluster:				
Pass-Through Program From:				
Iowa Department of Transportation:				
Highway Planning and Construction				
	20.205	16-TAP-121	489,336	
Highway Planning and Construction				
	20.205	BROS-CO57 (130)--8J-57	380,096	-
Highway Planning and Construction				
	20.205	57-03-13 STP-ES- TREE 18(2)	3,468	-
University of Northern Iowa:				
Highway Planning and Construction				
	20.205	18-TAP-101	43,204	-
Total Highway Planning and Construction Cluster			<u>916,104</u>	<u>-</u>
Pass-Through Program From:				
East Central Iowa Council of Governments:				
Formula Grants for Rural Areas				
	20.509	N/A	77,444	-
Transit Services Programs Cluster:				
Pass-Through Program From:				
East Central Iowa Council of Governments:				
Job Access and Reverse Commute Program				
	20.516	N/A	83,965	-

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Transportation: (continued)				
Highway Safety Cluster:				
Pass-Through Program From:				
Governor's Traffic Safety Bureau:				
National Priority Safety Programs	20.616	PAP 17-405d- M6OT, Task 31	\$ 7,753	\$ -
National Priority Safety Programs	20.616	PAP 18-405d- M6OT, Task 23	<u>23,070</u>	<u>-</u>
Total Highway Safety Cluster			<u>30,823</u>	<u>-</u>
Total U.S. Department of Transportation			<u>1,108,336</u>	<u>-</u>
U.S. Environmental Protection Agency:				
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	18ESDAQBC PAUL-0001	<u>17,500</u>	<u>-</u>
State Clean Diesel Grant Program	66.040	17ESDAQB Claim-004	<u>3,817</u>	<u>-</u>
Drinking Water State Revolving Fund Cluster Capitalization Grants for Drinking Water State Revolving Funds	66.468	ESD7159CHende1 30010	<u>17,700</u>	<u>-</u>
Performance Partnership Grants	66.605	18ESDAQB PAUL-0001	<u>77,016</u>	<u>-</u>
Total U.S. Environmental Protection Agency			<u>116,033</u>	<u>-</u>

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Health and Human Services:				
Pass-Through Program From:				
Iowa Department of Public Health:				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5888BT05	\$ 412,867	\$ -
Well Integrated Screening and Evaluation for Woman Across the Nation	93.094	5888NB16WW	19,000	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	MOU-2018-TB03	3,338	-
Immunization Cooperative Agreements Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.268	5888I448	1,363	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds	93.283	5888NB16	7,000	-
Iowa Department of Human Services:				
Promoting Safe and Stable Families TANF Cluster	93.539	5888I448	14,205	-
Temporary Assistance for Needy Families	93.556	DCAT4-15-047	32,198	-
Human Services Administrative Reimbursement:	93.558	N/A	38,544	-
Refugee and Entrant Assistance - State Administered Programs	93.566	N/A	169	-
Refugee and Entrant Assistance Discretionary Grant CCDF Cluster	93.576	REF-18-003	3,727	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	N/A	33,763	-
Hawkeye Area Community Action Program: Head Start	93.600	N/A	172,020	-
Iowa Department of Public Health:				
ACA-State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	5888SIM12	217,466	-
ACA-State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	5889SIM12	47,765	-
			<u>265,231</u>	<u>-</u>

County of Linn, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Health and Human Services: (continued)				
Pass-Through Program From: (continued)				
Iowa Department of Human Services: (continued)				
Human Services Administrative				
Reimbursement:				
Foster Care - Title IV-E	93.658	N/A	\$ 45,478	\$ -
Adoption Assistance	93.659	N/A	14,575	-
Social Services Block Grant	93.667	N/A	37,090	-
Human Services Administrative				
Reimbursement:				
Children's Health Insurance Program	93.767	N/A	914	-
Medicaid Cluster				
Medical Assistance Program	93.778	N/A	202,244	-
Iowa Department of Public Health				
HIV Care Formula Grants	93.917	5889HC08	131,432	-
HIV Care Formula Grants	93.917	5888AP09	40,018	-
HIV Care Formula Grants	93.917	5888HC08	301,807	-
HIV Care Formula Grants	93.917	5887AP09	35,236	-
			508,493	-
HIV Prevention Activities - Health Department Based	93.940	5887AP09	10,000	-
HIV Prevention Activities - Health Department Based	93.940	5888AP09	4,998	-
			14,998	-
Total U.S. Department of Health and Human Services			1,827,217	-
U.S. Executive Office of the President:				
Pass-Through Program From:				
Iowa Department of Public Safety:				
High Intensity Drug Trafficking Areas Program	95.001	G16MW002A	40,718	-
High Intensity Drug Trafficking Areas Program	95.001	G17MW002A	40,732	-
			81,450	-

County of Linn, Iowa  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed- Through to Subrecipients
U.S. Department of Homeland Security:				
Pass-Through Program From:				
United Way of America:				
Emergency Food and Shelter National Board Program	97.024	33-2964-00	\$ 43,483	\$ 43,483
Iowa Department of Homeland Security: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4289	52,262	-
Iowa Department of Public Defense: Hazard Mitigation Grant	97.039	DR-4281-0004-1	18,565	-
Total U.S. Department of Homeland Security			<u>114,310</u>	<u>43,483</u>
Total Expenditures of Federal Awards			<u>\$ 3,686,711</u>	<u>\$ 76,233</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the County of Linn, Iowa (County) under programs of the federal government for the year ended June 30, 2018. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the County.

**Note 2 - Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect Cost Rate**

The organization has not elected to use the 10% de minimis cost rate.

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

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Highway Planning and Construction Cluster: Highway Planning and Construction	20.205
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074
HIV Care Formula Grants	93.917
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

**Part II: Findings Related to the Financial Statements:**

**Material Weakness**

**2018-A Significant Audit Adjustments**

**Criteria** – A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**Condition** – During the course of our engagement, we proposed significant audit adjustments to due from other governments, unavailable revenue, and construction in progress balances that were not identified as a result of the County’s existing internal controls and, therefore, could have resulted in a misstatement of the County’s financial statements.

**Cause** – The County’s existing internal controls over the receivable and capital asset balances are independent of each other.

**Effect** – The effect of this condition was financial data not in accordance with generally accepted accounting principles.

**Recommendation** – We recommend the County increase procedures over the receivable and capital assets balances to include a review of revenue and receivable items related to capital assets and the capital assets impact on revenue and receivables.

**Views of Responsible Officials** – The County agrees with the recommendation. Increased procedures will include educating staff over the receivable and capital assets balances to include a review of revenues and receivable items related to capital assets and the impact on revenue and receivables.

**Part III: Findings and Questioned Costs for Federal Awards:**

**2018-001 U.S. Department of Health and Human Services  
CFDA 93.917, 5887AP08, 2017  
HIV Care Formula Grants**

**Allowable Costs**

**Significant Deficiency in Internal Control over Compliance**

*Criteria:* The Uniform Guidance, Section 200.303 Internal Controls, requires the non-federal entity must establish and maintain effective internal controls over federal awards that provide reasonable assurance that awards are being managed in compliance with federal statutes, regulations and the terms and conditions of the federal award.

As described in the 2017 compliance supplement, Part 3 includes the requirements of uniform guidance and 2 CFR part 200, subpart F. EB considers factors such as the County’s internal controls and the internal controls over compliance requirements and tests as prescribed in 2 CFR part 200, subpart F.

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

**Improper Payments**

Under uniform guidance, Public Law (Pub. L.) No. 107-300, the Improper Payments Information Act of 2002, as amended by Pub. L. No. 111-204, the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments, and the June 18, 2010 Presidential memorandum to enhance payment accuracy, Federal agencies are required to take actions to prevent improper payments, review Federal awards for such payments, and, as applicable, reclaim improper payments. Improper payment includes this specific criteria:

“Any payment that an agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation.”

*Condition:* We selected a sample of 60 expenditures and reviewed the overall grant activity for the year ended June 30, 2018. We noted the following in our testing:

- 1 of the 60 transactions tested involved ineffective controls over the review of an employee’s payrate being charges to the grant, causing a \$88.92 overcharge to the State of Iowa.

*Cause:* Due to insufficient controls over the expenditure review process (documentation) the controls are not operating as designed (or not properly implemented to prevent, detect and correct errors timely).

*Effect:* Failure to document the correct expenditures charged to the grant may result in disallowed costs.

*Questioned Costs:* None reported.

*Context/Sampling:* A nonstatistical sample of 1 out of 60 expenditures submitted for reimbursement.

*Repeat Finding from Prior Years:* No

*Recommendation:* We recommend that the County review the approval process for expenditures to determine why the controls failed and to design and implement controls that will prevent, detect and correct this from occurring in the future. The County needs to exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with Federal program requirements. The uniform guidance also refers non-Federal entities to the following two documents for best practices:

- “Standards for Internal Control in the Federal Government” (Green Book) issued by the Comptroller General.
- “Internal Control Framework” issued by the Committee on Sponsoring Organizations (COSO)

*Views of Responsible Officials:* Management agrees with finding.

**Part IV: Other Findings Related to Required Statutory Reporting:**

**2018-IA-A Certified Budget** – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated.

**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** – We will amend the budget when required and appropriations will be watched more closely by the departments.

**2018-IA-B 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.

**2018-IA-C Travel Expense** – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

**2018-IA-D Business Transactions** – Business transactions between the County and County Officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
James Houser, Board of Supervisors, spouse is Deputy Linn County Medical Examiner	Services	\$ 21,741
Judy Cummings, Options employee, spouse is owner of Aqua Technologies	Supplies	17,566
Larry Hlavacek, Administrative Services Supervisor (Public Health), spouse is Melissa Hlavacek	Services	500
Steve Tucker, Finance Director, spouse is owner of Ace Reporting	Services	68

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

According to Chapter 331.342 of the Code of Iowa, an officer or employee of a county shall not have an interest, direct or indirect, in a contract with that county. The provision does not apply to transactions that do not exceed a cumulative total purchase price of \$1,500 in a fiscal year or to contracts made by a county upon competitive bid. The transactions involving James Houser and Judy Cummings were not entered into through competitive bidding.

**2018-IA-E 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.

**2018-IA-F Board Minutes** – No transactions were found that we believe should have been approved in the Board minutes but were not.

**2018-IA-G 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.

**2018-IA-H 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).

**2018-IA-I 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, 2018, for the County Extension Office did not exceed the amount budgeted.

The ending balance reported in the annual published report should be supported by a reconciliation to the Extension Council bank balances. A bank reconciliation was prepared, but not as of June 30, 2018. Consequently, there was no reconciliation supporting the balance reported in the annual published report.

**Recommendation** – We recommend the Extension Council increase internal controls to ensure the reconciliation of the bank balance reported in the annual published report.

**Response** – The County will discuss increasing internal controls with Extension Council staff to ensure the complete reconciliation of monthly bank statements.

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

**2018-IA-J Early Childhood Iowa Area Board** – Linn County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of the audit procedures performed.

**2018-IA-K Annual Urban Renewal Report** – The Annual Urban Renewal Report was not properly approved or certified to the Iowa Department of Management.

**Recommendation** – We recommend the County approve and certify the Annual Urban Renewal Report on or before December 1.

**Response** – The County will approve and certify the Annual Urban Renewal Report on or before December 1.