



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

June 30, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Disaster Grants – Public Assistance program of the City of Oakville, Iowa.

The City of Oakville’s Disaster Grants – Public Assistance program disbursements totaled \$915,684 for the year ended June 30, 2009.

A copy of the audit report is available for review in the City Clerk’s Office, in the Office of Auditor of State and on the Auditor of State’s web site at <http://auditor.iowa.gov/reports/0922-0561-BC00.pdf>.

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**CITY OF OAKVILLE
PUBLIC ASSISTANCE GRANTS**

**INDEPENDENT AUDITOR'S REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2009

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City of Oakville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Benita Grooms	Mayor	Jan 2012
Daniel Crow	Mayor Pro Tem	Jan 2010
Gayla Harshaw	Council Member	Jan 2010
Kirk Swanson	Council Member	Jan 2010
Bill Freitag	Council Member	Jan 2012
Teresa Jennings	Council Member	Jan 2012
Joan Gerst	Clerk/Treasurer	Indefinite
William Matthews	Attorney	Indefinite

**City of Oakville
Public Assistance Grants**



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying Schedule of Expenditures of Federal Awards (Schedule) for the City of Oakville's Disaster Grants – Public Assistance program for the year ended June 30, 2009. The Schedule is the responsibility of the City of Oakville's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

As described in note 1, the Schedule was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the City of Oakville's Disaster Grants – Public Assistance program for the year ended June 30, 2009 on the basis of accounting described in Note 1.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oakville and other parties to whom the City of Oakville 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.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 6, 2011

**City of Oakville
Public Assistance Grants**

City of Oakville
Public Assistance Grants

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Disbursements
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DRIA	<u>\$ 915,684</u>

See note to the Schedule of Expenditures of Federal Awards.

City of Oakville
Public Assistance Grants

Note to Schedule of Expenditures of Federal Awards

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Oakville is a political subdivision of the State of Iowa located in Louisa County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

The Schedule of Expenditures of Federal Awards includes only the program disbursements of the City's Disaster Grants – Public Assistance program.

B. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Oakville and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

C. Basis of Accounting

The City of Oakville maintains its financial records on the basis of cash receipts and disbursements and the Schedule of Expenditures of Federal Awards is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the Schedule of Expenditures of Federal Awards is not presented in accordance with U.S. generally accepted accounting principles.

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect on the Federal Program
and on Internal Control over Compliance in Accordance with the Program - Specific
Audit Option Under OMB Circular A-133**

**City of Oakville
Public Assistance Grants**



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Independent Auditor's Report on Compliance
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Audit Option Under OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the City of Oakville's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the Disaster Grants – Public Assistance program for the year ended June 30, 2009. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Oakville's management. Our responsibility is to express an opinion on the City of Oakville's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 the Disaster Grants – Public Assistance program occurred. An audit includes examining, on a test basis, evidence about the City of Oakville'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 City of Oakville's compliance with those requirements.

In our opinion, the City of Oakville complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its Disaster Grants – Public Assistance program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Oakville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Oakville's internal control over compliance with requirements that could have a direct and material effect on its Disaster Grants – Public Assistance program in order to determine our 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 City of Oakville'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 all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control over compliance we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control over compliance 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 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 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 II-A-09 through II-C-09 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items II-D-09 through II-H-09 to be significant deficiencies.

The City of Oakville's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Oakville'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 City of Oakville and other parties to whom the City of Oakville 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 City of Oakville 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 6, 2011

City of Oakville
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

- (a) An unqualified opinion was issued on the Schedule of Expenditures of Federal Awards, which was prepared in conformity with an other comprehensive basis of accounting.
- (b) Significant deficiencies and material weaknesses in internal control over the Disaster Grants - Public Assistance program were disclosed by the audit of the Schedule of Expenditures of Federal Awards.
- (c) The audit did not disclose any non-compliance which is material to the Schedule of Expenditures of Federal Awards.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the Disaster Grants - Public Assistance program.
- (e) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).

City of Oakville
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Pass-through Agency Number: FEMA-1763-DRIA

Federal Award Year: 2009

U.S. Department of Homeland Security

Passed through the Iowa Department of Public Defense – Iowa Homeland Security and Emergency Management Division

II-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The City did not properly segregate duties involving cash, receipts, disbursements, transfers and federal reporting.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – The City Clerk works 32 hours a week and the Mayor volunteers his/her time other than the pay he/she receives for attending City Council meetings. As a small entity with limited income, we cannot afford a second part-time employee to monitor activities.

All checks written from City funds and program funds must have two signatures. The Mayor presents the City Clerk with the invoice, along with the check written for the invoice. The City Clerk verifies the invoice and provides the second signature on the check. A copy is made containing the check with the invoice and the copy is filed in the Project Worksheet file associated with the invoice.

Conclusion – Response acknowledged. As previously stated, we realize segregation of duties is difficult with a limited number of office employees. However, the City can utilize currently available personnel, including the City Council to maximize internal control. In addition, the City needs to review segregation of duties for receipts, disbursements, transfers and federal reporting.

City of Oakville
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

II-B-09 Bank Reconciliations – The book and bank balances were not reconciled monthly for federal accounts. In addition, a list of outstanding checks was not prepared each month.

Recommendation – To improve financial accountability and control, the book and bank balances should be reconciled monthly and the reconciliations should be retained. Any variances should be investigated and resolved in a timely manner. In addition, a listing of outstanding checks should be prepared each month and retained.

Response – The Mayor took over the responsibility of monitoring all funds associated with all the program related funding following the dismissal of the Project Manager. The Mayor and the City Clerk now have on-line access to all FEMA bank accounts. We monitor all transfers from the General Fund to the individual accounts. Since first talking with the auditors in February 2011, we have changed the way we reconcile by implementing new procedures.

Conclusion – Response acknowledged. Although being able to access and monitor the bank activity on-line is helpful, the City also should ensure the transactions recorded on the City’s ledgers are reconciled to the bank balances on a regular basis.

II-C-09 Separately Maintained Accounts – The custody of the Federal Emergency Management Agency (FEMA) Account is under the control of the City at City Hall. However, a ledger is not maintained for this account and account activity was not budgeted for or included in the City’s monthly and annual financial reports.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose.”

The City should include the FEMA Account in the City’s general ledger, budget and monthly and annual financial reports.

Response – The City did not realize all program funds needed to be incorporated into the budget until discussion with the auditors. FEMA has always strongly stressed the City needed to ensure FEMA funding was kept in separate accounts.

Conclusion – Response acknowledged. The FEMA funding should be accounted for separately. However, the funding received should be recorded in the City’s ledgers and included in the City’s budget, monthly and annual financial reports. A separate fund should be established which can be budgeted, reported and reconciled to the bank balance.

City of Oakville
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

II-D-09 Procurement, Suspension and Debarment – OMB Circular A-133 provides the City is prohibited from contracting with or making subawards under covered transactions to parties who are suspended or debarred. The City has not established procedures to ensure parties the City contracts with have not been suspended or debarred.

Recommendation – The City should establish procedures to ensure parties the City contracts with have not been suspended or debarred.

Response – When the disaster started, the Local Council of Governments, the Southeast Iowa Regional Planning Commission, was under contract to act as a liaison between the City and FEMA. Until the Office of Auditor of State conducted the audit, the City was unaware it is the City's responsibility to ensure contractors have not been suspended or debarred. The City now has a website, provided by the Office of Auditor of State, and will now look up all future contractors and print the findings for the City's files.

Conclusion – Response accepted.

II-E-09 Federal Reports – The Mayor prepares all required federal reports, including applications for reimbursement, project completion reports and certification reports. However, the reports are not independently reviewed or approved by the City Council.

Recommendation – The City should implement policies and procedures to ensure federal reports are independently reviewed and approved.

Response – When the City had a Project Manager, he prepared all draw requests and quarterly reports, which were then reviewed and signed by the Mayor. After the Project Manager's dismissal, the Mayor worked closely with the liaison from the Iowa Homeland Security and Emergency Management Division in preparing all required reports.

Conclusion – Response acknowledged. However, the Mayor should have the City Council review and approve the reports prepared prior to their submission.

II-F-09 Initial Listing of Federal Receipts – Receipts should be recorded on an initial receipts listing.

Recommendation – An initial listing of federal receipts should be prepared and maintained and reviewed by an independent person for propriety.

Response – Most receipts are electronic fund transfers in the general bank account which are then transferred to the appropriate individual account. The bank statements and ledgers for each account document these receipts and transfers and both the Mayor and the City Clerk monitor incoming receipts on a daily basis on-line.

City of Oakville
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Conclusion – Response accepted.

- II-G-09 Timely Deposit – One state warrant tested was not deposited timely. The warrant was a FEMA reimbursement.

Recommendation – The City should implement policies and procedures to ensure all receipts are deposited timely.

Response – Prior to September 2010, the City did not know State funding had been deposited to the City’s bank account unless either paperwork was issued by the State, which often lagged behind the receipt of the electronic funds transfer, or when the monthly bank statements were received. The City now tracks all funds on a daily basis on-line allowing all incoming funds to be transferred and disbursed as necessary.

Conclusion – Response acknowledged. However, the State payment identified was a State warrant and not an electronic funds transfer. As previously stated, the City should implement policies and procedures to ensure all receipts are deposited timely.

- II-H-09 Disbursements – Certain disbursements were not supported by invoices or supporting documentation.

Recommendation – All disbursements should be supported by invoices or other supporting documentation.

Response – The City acknowledges this has happened in the past. Since the Mayor has taken over the responsibilities of the former Project Manager, she ensures all checks disbursed are copied with the invoices for which they are written.

Conclusion – Response accepted.

City of Oakville
Public Assistance Grants

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager
Brian P. Schenkelberg, CPA, Senior Auditor
Ryan A. Yeager, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State