



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE \_\_\_\_\_ May 17, 2004

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on America's Agricultural Industrial Heritage Landscape, Inc., d/b/a Silos and Smokestacks National Heritage Area (Silos and Smokestacks), in Waterloo, Iowa.

Silos and Smokestacks was organized in 1996 as a non-profit corporation for charitable and educational purposes. The mission of Silos and Smokestacks is to ensure residents and visitors have the opportunity to learn of the significant contributions the people and the land of northeast Iowa have made to America's agricultural legacy.

Vaudt reported Silos and Smokestacks' public support and revenues totaled \$683,368 for the year ended December 31, 2003. Public support and revenue consisted primarily of a \$643,534 Federal grant, provided through the National Park Service, for conserving, interpreting and developing the historical, cultural, natural, and recreational resources related to the industrial and cultural heritage of Northeast Iowa. Expenses totaled \$705,941 for the year ended December 31, 2003, and included \$399,659 in project expenses and \$228,489 in personnel expenses.

This report contains recommendations to Silos and Smokestacks' officials. For example, Vaudt recommended Silos and Smokestacks segregate duties to the extent possible to provide maximum internal control over the accounting system and cash procedures. Vaudt also recommended Silos and Smokestacks improve controls over computer based systems. Silos and Smokestacks has responded positively to these recommendations indicating additional procedures and controls were being implemented.

A copy of the audit report is available for review in the Office of Auditor of State and the Executive Director's office.

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**AMERICA'S AGRICULTURAL INDUSTRIAL HERITAGE LANDSCAPE, INC.  
D/B/A SILOS AND SMOKESTACKS NATIONAL HERITAGE AREA**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**DECEMBER 31, 2003**

## Table of Contents

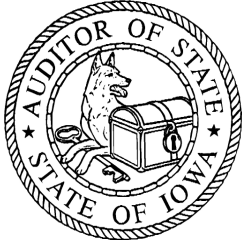
		Page
Board of Trustees		3
Independent Auditor's Report		5
Financial Statements:	<u>Exhibit</u>	
Statement of Financial Position	A	8
Statement of Activities	B	9
Statement of Cash Flows	C	10
Notes to Financial Statements		11-12
Supplemental Information:	<u>Schedule</u>	
Statement of Public Support and Revenues, Expenses and Change in Net Assets	1	14-15
Schedule of Expenditures of Federal Awards	2	16
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		17-18
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		19-20
Schedule of Findings and Questioned Costs		21-23
Staff		24

## Silos and Smokestacks National Heritage Area

### Board of Trustees

<u>Name</u>	<u>Title</u>
Jim Erb	Chairman
Ruby Triplett	Vice Chair
Josef Vich	Treasurer
Jerry Enzler	Secretary
Gerald Schnepf	Past Chair
Robert Casterton	Member
Robert Denson	Member
David DeVault	Member
Robert Gunderson	Member
Brian Quirk	Member
Wade Wagner	Member
Phyllis Ewing	Partnership Panel Chair
Donald Short	Executive Director

**Silos and Smokestacks National Heritage Area**



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David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report

To the Board of Trustees of Silos and Smokestacks National Heritage Area:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of America's Agricultural Industrial Heritage Landscape, Inc., d/b/a Silos and Smokestacks National Heritage Area (Silos and Smokestacks), as of and for the year ended December 31, 2003. These financial statements are the responsibility of Silos and Smokestacks' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Silos and Smokestacks at December 31, 2003, and the results of its operations, change in net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also included our reports dated February 26, 2004 on our consideration of Silos and Smokestacks' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 26, 2004

**Silos and Smokestacks National Heritage Area**

## **Financial Statements**



**Exhibit A**

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Silos and Smokestacks National Heritage Area

Statement of Financial Position

December 31, 2003

**Assets**

Cash and cash equivalents	\$ 60,528
Grants receivable	149,538
Equipment, less accumulated depreciation of \$22,164	<u>16,742</u>
<b>Total assets</b>	<b><u>\$ 226,808</u></b>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable	\$ 903
Payroll tax payable	4,214
Compensated absences	<u>3,071</u>
Total liabilities	8,188
Net assets - unrestricted	<u>218,620</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 226,808</u></b>

See notes to financial statements.

## Silos and Smokestacks National Heritage Area

## Statement of Activities

Year ended December 31, 2003

Public support and revenues:	
Public Support:	
Contributions	\$ 35,386
Federal support	<u>643,534</u>
	<u>678,920</u>
Revenues:	
Workshop income	885
Rent	3,063
Interest income	70
Miscellaneous	<u>430</u>
	<u>4,448</u>
Total public support and revenues	<u><u>683,368</u></u>
Expenses:	
Project	399,659
Personnel	228,489
Occupancy	25,899
Administration	<u>51,894</u>
Total expenses	<u><u>705,941</u></u>
Change in net assets	(22,573)
Net assets beginning of year	<u>241,193</u>
Net assets end of year	<u><u>\$ 218,620</u></u>

See notes to financial statements.

**Exhibit C**

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## Silos and Smokestacks National Heritage Area

## Statement of Cash Flows

Year ended December 31, 2003

Cash flows from operating activities:	
Cash received from federal sources	\$ 699,971
Contributions received	25,236
Rent received	3,062
Interest received	70
Cash paid for goods and services and to employees	<u>(716,536)</u>
Net cash provided by operating activities	11,803
Cash flows from capital activities:	
Acquisition of equipment	(4,174)
Cash and cash equivalents beginning of year	<u>52,899</u>
Cash and cash equivalents end of the year	<u><u>\$ 60,528</u></u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>	
Change in net assets	\$ (22,573)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	7,473
Decrease in grants receivable	56,437
Decrease in prepaid expense	147
(Decrease) in accounts payable	(18,434)
Increase in payroll tax payable	285
(Decrease) in compensated absences	(67)
(Decrease) in deferred revenue	<u>(11,465)</u>
Net cash provided by operating activities	<u><u>\$ 11,803</u></u>

See notes to financial statements.

Silos and Smokestacks National Heritage Area

Notes to Financial Statements

December 31, 2003

**(1) Summary of Significant Accounting Policies**

A. Reporting Entity

America's Agricultural Industrial Heritage Landscape, Inc., d/b/a Silos and Smokestacks National Heritage Area (Silos and Smokestacks) was organized in 1996 as a non-profit corporation for charitable and educational purposes. It was created to support and facilitate the development of regional heritage tourism and to share the story of American agriculture. Silos and Smokestacks encompasses a 37 county region in northeast Iowa and is federally designated as a National Heritage Area and operates as an affiliate of the National Park Service. The primary source of public support is a grant received from the National Park Service.

Silos and Smokestacks is exempt from tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for charitable, religious or educational purposes.

B. Fund Accounting

Silos and Smokestacks' accounts for all resources over which it has discretionary control to use in carrying out the operations of the organization in accordance with the limitations of its charter and bylaws.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

Purchases of equipment providing future benefits are capitalized and depreciated.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Silos and Smokestacks and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

E. Assets, Liabilities and Net Assets

Cash and Cash Equivalents - Silos and Smokestacks considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Equipment - Purchased equipment is stated at cost. Donated fixed assets are valued at the estimated fair value on the date donated. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 7 years. No interest costs were capitalized since there were no qualifying assets.

Compensated Absences - Employees accumulate a limited amount of earned but unused vacation benefits payable. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at December 31, 2003.

**(2) Employee Benefit Plan**

Silos and Smokestacks offers a SIMPLE IRA plan provided by American Funds. Under the plan, an employee can defer up to \$8,000 per year to their SIMPLE IRA. Investments grow tax-deferred, along with employer contributions. Silos and Smokestacks provides a dollar for dollar match for each participating employee's deferral, up to 3% of the employee's compensation. Plan expenses incurred by Silos and Smokestacks during the year ended December 31, 2003 were \$5,533.

**(3) Risk Management**

Silos and Smokestacks is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**(4) Matching Grant Activity**

Silos and Smokestacks entered into an agreement with the U.S. Department of Interior, National Park Service (NPS) to receive a total of \$10 million in grant funds during the period June 2000 through September 2010. The agreement requires a dollar for dollar match of Federal funds with non-Federal funds.

In a prior year, Silos and Smokestacks contributed \$250,000 to the Iowa Equestrian Center at Kirkwood Community College, Cedar Rapids, Iowa. The NPS has allowed Silos and Smokestacks to use the total non-Federal project cost of Phase II of the Iowa Equestrian Center of \$2.8 million as match.

## **Supplemental Information**

**Schedule 1**

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## Silos and Smokestacks National Heritage Area

## Statement of Public Support and Revenues, Expenses and Change in Net Assets

Year ended December 31, 2003

## Public support and revenues:

## Public support:

Contributions \$ 35,386

## Federal support:

National Park Service grant 643,534678,920

## Revenues:

Workshop income 885

Rent 3,063

Interest income 70

Miscellaneous 4304,448Total public support and revenues 683,368

## Expenses:

## Project:

Consultants 84,789

Grant and loan projects 244,689

Advertising and promotion 5,561

Printing and postage 14,912

Website maintenance 2,136

Camp Silos projects 5,300

International Heritage Development projects 3,448

Roadmapping projects 1,369

STEP-Survey project 2,500

Prairie Pathways projects 8,244

Meeting and registration expense 5,653

Travel, mileage and lodging 15,449

Other 5,609399,659

## Personnel:

Salaries 193,839

Payroll tax 14,072

Insurance 13,960

Employee benefits 5,573

Other 1,045228,489

## Occupancy:

Rent 17,017

Telephone 6,682

Other 2,20025,899

## Silos and Smokestacks National Heritage Area

## Statement of Public Support and Revenues, Expenses and Change in Net Assets

Year ended December 31, 2003

## Expenses (continued):

## Administration:

Accounting	8,250
Consultants	6,374
Depreciation	7,473
Insurance	5,165
Dues, memberships, and subscriptions	6,583
Materials and supplies	2,934
Printing and copies	505
Postage and shipping	1,370
Training and education	1,283
Repairs and maintenance	3,249
Travel, mileage and lodging	6,156
Other	2,552

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51,894

## Total expenses

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705,941

## Change in net assets

(22,573)

## Net assets beginning of year

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241,193

## Net assets end of year

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\$ 218,620

See accompanying independent auditor's report.



**Schedule 2**

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Silos and Smokestacks National Heritage Area

Schedule of Expenditures of Federal Awards

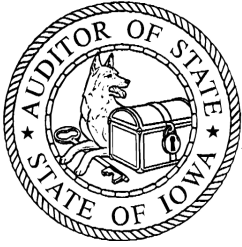
Year ended December 31, 2003

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Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
National Park Service:			
Unknown Title	15.000	CA6069A0031	\$ <u>643,534</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Silos and Smokestacks National Heritage Area and is presented on the accrual 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.



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David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Trustees of Silos and Smokestacks National Heritage Area:

We have audited the financial statements of America's Agricultural Industrial Heritage Landscape, Inc., d/b/a Silos and Smokestacks National Heritage Area (Silos and Smokestacks) as of and for the year ended December 31, 2003, and have issued our report thereon dated February 26, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Silos and Smokestacks' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Silos and Smokestacks' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Silos and Smokestacks' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

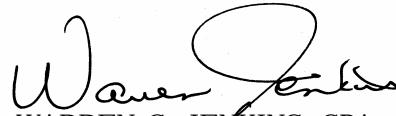
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-03 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Silos and Smokestacks and other parties to whom Silos and Smokestacks may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Silos and Smokestacks 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.

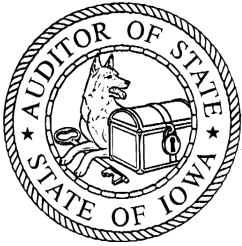


DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 26, 2004



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Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control over Compliance

To the Board of Trustees of Silos and Smokestacks National Heritage Area:

Compliance

We have audited the compliance of America's Agricultural Industrial Heritage Landscape, Inc., d/b/a, Silos and Smokestacks National Heritage Area (Silos and Smokestacks) with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2003. Silos and Smokestacks' major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Silos and Smokestacks' management. Our responsibility is to express an opinion on Silos and Smokestacks' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, 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 provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Silos and Smokestacks' 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. Our audit does not provide a legal determination on Silos and Smokestacks' compliance with those requirements.

In our opinion, Silos and Smokestacks complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

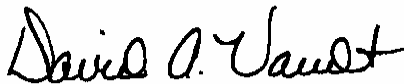
Internal Control Over Compliance

The management of Silos and Smokestacks 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 Silos and Smokestacks' internal control over compliance with requirements that could have a direct and material effect on its major federal 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.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Silos and Smokestacks' ability to administer its major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in Part III of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected in a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-03 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Silos and Smokestacks and other parties to whom Silos and Smokestacks 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

February 26, 2004

Silos and Smokestacks National Heritage Area

Schedule of Findings and Questioned Costs

December 31, 2003

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements, which is a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Silos and Smokestacks' major program is CFDA #15.000 - Unknown Title.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Silos and Smokestacks did not qualify as a low-risk auditee.

Silos and Smokestacks National Heritage Area

Schedule of Findings and Questioned Costs

December 31, 2003

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

II-A-03 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One employee has control over the following duties:

- Accounting system - general accounting/general ledger/journal entry function, custody and control of assets and the detail recording of accounts.
- Cash procedures - preparing bank account reconciliations, cash receipt function, and handling and recording cash

Recommendation -We realize segregation of duties is difficult with a limited number of office employees. However, Silos and Smokestacks should review its internal control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to monitor internal control procedures. Procedures regarding the review of cash by another staff person have been implemented and added to our Financial Policies.

Conclusion - Response acknowledged. In addition, Silos and Smokestacks should also review the cash and accounting system procedures to segregate duties to the extent possible to safeguard assets.

II-B-03 Electronic Data Processing Systems - The following weakness in Silos and Smokestacks' computer based systems was noted:

- A policy is not in place requiring employees to log off computers prior to leaving them unattended, nor does the system does not have a time out or log off function.

Recommendation - Silos and Smokestacks should develop written policies addressing the above item in order to improve control over computer based systems.

Response - Screen save log off function was added effective March 27, 2004.

Conclusion - Response accepted.

Silos and Smokestacks National Heritage Area

Schedule of Findings and Questioned Costs

December 31, 2003

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITION:**

**CFDA Number 15.000: Unknown Title**  
**Federal Award Year: 2002**  
**U.S. Department of Interior**

III-A-03 Segregation of Duties - Silos and Smokestacks did not properly segregate duties, from a control standpoint to prevent an individual employee from handling duties which are incompatible. See audit finding II-A-03.



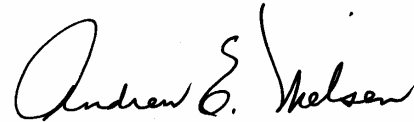
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Silos and Smokestacks National Heritage Area

Staff

This audit was performed by:

Michelle M. Meyer, CPA, Manager  
Kathleen S. Caggiano, Staff Auditor  
Elvir Alicic, 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