



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 June 18, 2004

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Public Assistance Grants program of the Green Bay Levee and Drainage District in Lee County, Iowa.

The Drainage District's Public Assistance Grants program disbursements totaled \$510,199 for the year ended June 30, 2003.

The report contains a recommendation to the Drainage District to improve procedures requiring administrative cost documentation and contact the Iowa Department of Public Defense for appropriate resolution of questioned administrative costs charged to the program.

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

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**GREEN BAY LEVEE AND DRAINAGE DISTRICT
PUBLIC ASSISTANCE GRANTS**

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

JUNE 30, 2003

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Green Bay Levee and Drainage District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Pieper	Trustee	Jan 2005
Ron Meller	Trustee	Jan 2006
Craig Pieper	Trustee	Jan 2007
Brian Burk	Clerk	By appointment

**Green Bay Levee and Drainage District
Public Assistance Grants**



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Independent Auditor's Report

To the Trustees of the Green Bay
Levee and Drainage District:

We have audited the accompanying Schedule of Expenditures of Federal Awards for the Green Bay Levee and Drainage District's Public Assistance Grants program for the year ended June 30, 2003. This schedule is the responsibility of the District's officials. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit 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 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 that our audit provides a reasonable basis for our opinion.

As described in note 1, the Schedule of Expenditures of Federal Awards is 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 Green Bay Levee and Drainage District's Public Assistance Grants program 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 Green Bay Levee and Drainage District and other parties to whom the Green Bay Levee and Drainage District 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 23, 2004

**Green Bay Levee and Drainage District
Public Assistance Grants**

Green Bay Levee and Drainage District
Public Assistance Grant

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expendi- tures
Indirect:			
Federal Emergency Management Agency:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Public Assistance Grants	83.544	FEMA DR-1367-IA	<u>\$ 510,199</u>

See notes to Schedule of Expenditures of Federal Awards.

Green Bay Levee and Drainage District
Public Assistance Grant

Notes to Schedule of Expenditures of Federal Awards

June 30, 2003

(1) Summary of Significant Accounting Policies

The Green Bay Levee and Drainage District is a political subdivision of the State of Iowa located in Lee County. A Board of Trustees elected on a non-partisan basis is responsible for managing the Drainage District. The Drainage District collects drainage assessments from landowners in Green Bay Township for the purpose of maintaining the Mississippi and Skunk River levees.

A. Reporting Entity

The Schedule of Expenditures of Federal Awards includes only the program disbursements of the Drainage District's Public Assistance Grants program.

B. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Green Bay Levee and Drainage District 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 Green Bay Levee and Drainage District 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.

(2) Related Party Transactions

During fiscal year 2003, the Green Bay Levee and Drainage District disbursed a total of \$492,654 in Public Assistance Grants program funds to MEP CO. for contract services. MEP CO. is owned and operated by Mike Pieper, Board Trustee. The District also disbursed \$17,545 in Public Assistance Grants program funds to Mike Pieper for administrative costs.

The three projects were competitively bid. The process and the bids, including the bid from MEP CO., were reviewed and approved by the Iowa Department of Public Defense and the Federal Emergency Management Agency (FEMA).

(3) Pending Litigation

A lawsuit was brought against the District alleging violations of the Iowa Open Meetings Law, self-dealing by the trustees and illegal approval of certain bills. The District Court ruling found, with one minor exception, there were no violations of the Iowa Open Meetings Law, the claims were legal, and a warrant was to be issued by Lee County in payment of a disputed claim of \$36,968. The matter has been appealed to the Iowa Court of Appeals.



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

To the Trustees of the Green Bay
Levee and Drainage District:

Compliance

We have audited the compliance of the Green Bay Levee and Drainage District 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 the Public Assistance Grants program for the year ended June 30, 2003. Compliance with the requirements of laws, regulations, contracts and grants applicable to its federal program is the responsibility of the Green Bay Levee and Drainage District's management. Our responsibility is to express an opinion on the Green Bay Levee and Drainage District's 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 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 Public Assistance Grants program occurred. An audit includes examining, on a test basis, evidence about the Green Bay Levee and Drainage District'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. Our audit does not provide a legal determination on the Green Bay Levee and Drainage District's compliance with those requirements.

In our opinion, the Green Bay Levee and Drainage District complied, in all material respects, with the requirements referred to above that are applicable to its Public Assistance Grants program for the year ended June 30, 2003. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described as item II-A-03 of the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the Green Bay Levee and Drainage District 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 Green Bay Levee and Drainage District's internal control over compliance with requirements that could have a direct and material effect on its Public Assistance Grants 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.

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 the federal program 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 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Green Bay Levee and Drainage District and other parties to whom the Green Bay Levee and Drainage District 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 23, 2004

Green Bay Levee and Drainage District
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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 on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting 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) No material weaknesses in internal control over the Public Assistance Grants program were disclosed by the audit of the Schedule of Expenditures of Federal Awards.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the Public Assistance Grants 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) The major program was CFDA Number 83.544 – Public Assistance Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The Green Bay Levee and Drainage District did not qualify as a low-risk auditee.

Green Bay Levee and Drainage District
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part II: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

CFDA Number 83.544: Public Assistance Grants
Pass-through Agency Number: FEMA DR-1367-IA
Federal Award Year: 2002
Federal Emergency Management Agency
Passed through the Iowa Department of Public Defense

II-A-03 Unsupported Administrative Costs – The Public Assistance Grants program provides an administrative cost allowance for necessary costs of requesting, obtaining and administering FEMA awards. All federal costs are to be properly documented and supported in accordance with OMB Circular A-87. The Drainage District claimed administrative costs totaling \$17,545 which lacked proper support and documentation.

Recommendation – The Drainage District should implement procedures to ensure administrative costs are properly supported and documentation is retained. The Drainage District should contact the Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division to determine the appropriate resolution of the unsupported administrative costs.

Response and Corrective Action – We are working on a corrective action with the public assistance team leader for Homeland Security for the State of Iowa. In our last Board meeting we were made aware of the required documentation for the administrative costs, and if this situation should come up in the future, the District will be in compliance.

Conclusion – Response accepted.

REPORTABLE CONDITIONS:

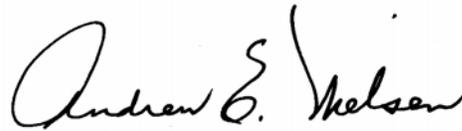
No material weaknesses in internal control over the major program were noted.

Green Bay Levee and Drainage District
Public Assistance Grants

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Ted M. Wiegand, CPA, Senior 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