



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

October 14, 2013

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Iowa Petroleum Underground Storage Tank Board (UST Board) for the year ended June 30, 2012.

The responsibilities of the UST Board include expending moneys for remedial (cleanup) action, underground storage tank improvement and maintaining existing loan guarantees.

Mosiman reported the UST Board had total revenues of \$159,907 for the year ended June 30, 2012, a 157% increase over the prior year. The significant increase in revenues is due to an increase in interest on investments. Revenues included \$16,969 of environmental protection charges, cost recovery and community remediation buy-ins and \$135,868 of interest on investments.

General Fund expenditures totaled \$7,990,684 for the year ended June 30, 2012, a 9.9% increase over the prior year. Expenditures included \$5,835,075 for remedial claims, \$826,623 for innocent landowner claims and \$1,230,886 for administrative costs.

At June 30, 2012, the estimate for potential claims for clean-up charges totaled \$35,147,738.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1360-6560-B000.pdf>.

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**IOWA PETROLEUM UNDERGROUND STORAGE TANK BOARD  
STATE OF IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

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**Iowa Petroleum Underground Storage Tank Board  
State of Iowa**

**Officials**

<u>Name</u>	<u>Title</u>
	<b>State</b>
Honorable Terry E. Branstad	Governor
David Roederer	Director, Department of Management
Glen P. Dickinson	Director, Legislative Services Agency

**Board**

Douglas M. Beech	Chairperson
Karen Andeweg	Member
Dawn Carlson	Member
Honorable Michael L. Fitzgerald	Member
Chuck Gipp	Member
Jeffrey W. Robinson	Member
Joseph Barry	Member
(Vacant)	Member

**Administrator**

Scott Scheidel	AON Risk Services, Inc.
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**Iowa Petroleum Underground Storage Tank Board  
State of Iowa**



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Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Members of the Iowa Petroleum  
Underground Storage Tank Board:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Iowa Petroleum Underground Storage Tank Board as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 our audit provides a reasonable basis for our opinions.


As described in Note 1, the financial statements of the Iowa Petroleum Underground Storage Tank Board are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of the State of Iowa that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2012, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Iowa Petroleum Underground Storage Tank Board as of June 30, 2012, and the respective changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2013 on our consideration of the Iowa Petroleum Underground Storage Tank Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the Budgetary Comparison Information on pages 7 through 9 and 19 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iowa Petroleum Underground Storage Tank Board's basic financial statements. Supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Mary Mosiman, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 11, 2013



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This discussion and analysis of the Iowa Petroleum Underground Storage Tank Board (Board) provides an overview of the Board's financial activities for the year ended June 30, 2012, along with comparative data for the year ended June 30, 2011, and is provided for consideration in conjunction with the Board's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- The Board had revenues of approximately \$160,000 during the fiscal year from a combination of environmental protection charges, cost recovery and community remediation buy-ins and interest on investments. This was a 157% increase compared to the previous fiscal year.
- The Board had expenditures of approximately \$7,990,700 during the fiscal year. This was an increase of approximately \$717,800, or 9.9%, compared to the previous fiscal year, primarily due to an increase in remedial claims.
- The Board's net assets increased approximately \$12,589,000, or 54.2%.

### USING THIS FINANCIAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Board's financial activities.

The Entity-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Board as a whole and present an overall view of the Board's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as identifying amounts which remain for future spending.

The financial statements also include notes and required and supplementary information which explain some of the information in the financial statements and provide more detailed data.

### REPORTING THE BOARD'S FINANCIAL ACTIVITIES

#### *Entity-wide Financial Statements*

One of the most important questions asked about the Board's finances is, "Is the Board as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Board as a whole and about its activities in a way which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the Board's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Board's net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Activities presents information showing how the Board's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The Board's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include claim payments, administrative costs and payments to other state agencies.

### ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position.

The Board's combined net assets increased compared to a year ago. Our analysis below focuses on the net assets and the change in net assets of the Board's governmental activities.

	Net Assets of Governmental Activities			
	June 30,		Change	Percentage Change
	2012	2011		
Assets	\$ 25,212,526	\$ 21,871,597	3,340,929	15.3%
Liabilities	35,865,153	45,112,891	(9,247,738)	(20.5%)
Net Assets	(10,652,627)	(23,241,294)	12,588,667	54.2%

Net assets of the Board increased approximately 54.2% (negative \$11 million at June 30, 2012 compared to negative \$23 million at June 30, 2011). This increase was partially due to a reduction of approximately \$7 million in the pollution remediation liability.

	Change in Net Assets of Governmental Activities	
	June 30,	
	2012	2011
Revenues	\$ 159,907	\$ 62,224
Expenses	1,036,249	2,674,771
Deficiency of revenues under expenses	(876,342)	(2,612,547)
Other financing sources (uses):		
Transfers from the		
Statutory Allocations Fund	14,000,000	17,000,000
Allocations to State Agencies	(534,991)	(24,487,653)
Total other financing sources (uses)	13,465,009	(7,487,653)
Change in net assets	12,588,667	(10,100,200)
Net assets beginning of year	(23,241,294)	(13,141,094)
Net assets end of year	\$ (10,652,627)	\$ (23,241,294)

Revenues increased approximately \$98,000 over the prior year.

Expenses decreased approximately \$1,639,000.

## **BUDGETARY HIGHLIGHTS**

Expenditures exceeded amounts budgeted for payments to other state agencies because of the timing of claim reimbursements to state agencies with eligible claims because it is the Board's policy to use the budget as a projection tool and not to amend the budget throughout the year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The budget for fiscal year 2013 includes estimates for revenues to remain relatively flat with the only variance being actual interest earned. Barring any statutory or regulatory changes by the Iowa Department of Natural Resources (IDNR) affecting the Board's claim liability, claim payments should remain fairly flat compared to the previous year. Efforts to move Low Risk sites out of monitoring and into closure with targeted activities negotiated with IDNR could accelerate some claim payments resulting in greater than budgeted claims expenditures.

## **CONTACTING THE UST BOARD FINANCIAL MANAGEMENT**

This financial report is designed to provide our claimants, the citizens of Iowa and creditors with a general overview of the Board's finances to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Iowa Petroleum Underground Storage Tank Board at 2700 Westown Parkway, Suite 320, West Des Moines, IA 50266.

**Iowa Petroleum Underground Storage Tank Board  
State of Iowa**

## **Basic Financial Statements**

**Exhibit A**Iowa Petroleum Underground Storage Tank Board  
State of Iowa

## Governmental Fund Balance Sheet and Statement of Net Assets

June 30, 2012

	General Fund	Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash and investments	\$ 25,163,025	-	25,163,025
Due from other state agencies	49,501	-	49,501
<b>Total assets</b>	<u>\$ 25,212,526</u>	-	<u>25,212,526</u>
<b>Liabilities</b>			
Accounts payable	\$ 589,769	-	589,769
Due to other state agencies	127,646	-	127,646
Pollution remediation liability:			
Portion due or payable within one year	-	8,275,000	8,275,000
Portion due or payable after one year	-	26,872,738	26,872,738
<b>Total liabilities</b>	<u>717,415</u>	<u>35,147,738</u>	<u>35,865,153</u>
<b>Fund Balance/Net Assets</b>			
Fund balance:			
Restricted for:			
Underground storage tank remedial activities	24,217,067	(24,217,067)	-
Payment on defaulted loans	278,044	(278,044)	-
<b>Total fund balance</b>	<u>24,495,111</u>	<u>(24,495,111)</u>	-
<b>Total liabilities and fund balance</b>	<u>\$ 25,212,526</u>		
Net assets:			
Restricted for			
payment on defaulted loans		278,044	278,044
Unrestricted:			
Underground storage tank remedial activities		(10,930,671)	(10,930,671)
<b>Total net assets</b>		<u>\$ (10,652,627)</u>	<u>(10,652,627)</u>

See notes to financial statements.

Iowa Petroleum Underground Storage Tank Board  
State of Iowa

Governmental Fund Statement of Revenues, Expenditures  
and Changes in Fund Balance and Statement of Activities

Year ended June 30, 2012

	General Fund	Adjustments	Statement of Activities
<b>Revenues:</b>			
License and application fees	\$ 6,250	-	6,250
Environmental protection charges, cost recovery and community remediation buy-ins	16,969	-	16,969
Refunds and reimbursements	820	-	820
Interest on investments	135,868	-	135,868
<b>Total revenues</b>	<b>159,907</b>	<b>-</b>	<b>159,907</b>
<b>Expenditures/expenses:</b>			
Administrative costs	1,230,886	15,000	1,245,886
Innocent landowner claims	826,623	(826,623)	-
Remedial claims	5,835,075	(5,835,075)	-
Payments to other state agencies	98,100	-	98,100
Change in estimated pollution remediation liability	-	(307,737)	(307,737)
<b>Total expenditures/expenses</b>	<b>7,990,684</b>	<b>(6,954,435)</b>	<b>1,036,249</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	<b>(7,830,777)</b>	<b>6,954,435</b>	<b>(876,342)</b>
<b>Other financing sources (uses):</b>			
Transfers from the Statutory Allocations Fund	14,000,000	-	14,000,000
Allocations to other State Agencies	(534,991)	-	(534,991)
<b>Total other financing source (uses)</b>	<b>13,465,009</b>	<b>-</b>	<b>13,465,009</b>
Excess of revenues and other financing sources over expenditures/ expenses and other financing uses	5,634,232	6,954,435	-
Change in net assets	-	-	12,588,667
Fund balance / net assets beginning of year	18,860,879	(42,102,173)	(23,241,294)
Fund balance / net assets end of year	<b>\$ 24,495,111</b>	<b>(35,147,738)</b>	<b>(10,652,627)</b>

See notes to financial statements.

Iowa Petroleum Underground Storage Tank Board  
State of Iowa

Notes to Financial Statements

June 30, 2012

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

Statutory authority for the Iowa Petroleum Underground Storage Tank Board, State of Iowa, (Board) is found in Chapter 455G of the Code of Iowa. The Board's responsibilities include expending funds for remedial action and maintaining existing loan guarantees for remedial action and underground storage tank improvements.

The financial statements of the Board have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the Board has included all funds. The Board has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Board. The Board has no component units which meet the Governmental Accounting Standards Board criteria.

B. Entity-wide and Fund Financial Statements

The financial statements on pages 12 and 13 combine both an entity-wide perspective and a governmental fund perspective.

The General Fund comprises the Board's governmental fund type. This fund is the general operating fund of the Board and the difference between assets and liabilities of the fund is referred to as "fund balance."

The entity-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Board. Governmental activities are those which normally are supported by tax and intergovernmental revenues.

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.



Governmental fund financial statements are reported using the “current financial resources measurement focus” and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

D. Budget

The Administrator for the Board prepares an annual budget for the Board's general operations. This budget is approved and monitored by the Board.

E. Cash and Cash Equivalents

The cash balances of the Board are pooled and invested by the Treasurer of State.

F. Due from Other State Agencies

Receivables consist primarily of accrued interest on deposits invested by the Treasurer of State.

G. Pollution Remediation Liability

The Iowa Underground Storage Tank Financial Responsibility Program provides payment for remediation claims of contamination of ground water sites due to leakage, spill or release of petroleum products by owner/operators. The estimates of the liabilities are based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. The estimates are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected. Those adjustments are reported in the Statement of Activities as reductions in the various expenditure categories.

H. Restricted Fund Balance/Restricted Net Assets

Restricted – Amounts are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

The portion restricted for underground storage tank remedial activities represents the amount available for cleanup of contamination caused by releases from underground storage tanks.

The portion restricted for payment on defaulted loans represents the amount available for the actual payment of claims on guaranteed loans in default status.

Unrestricted – All amounts not included in the preceding classification.

**(2) Cash and Investments**

The Board's deposits with the Treasurer of State throughout the period and at June 30 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Earned interest, \$135,868 for the year ended June 30, 2012, is retained in the fund holding the cash balance.

The Board's cash and investments are pooled with the Treasurer of State's cash and investments. Accordingly, information regarding the Board's investments is not readily available. See the State of Iowa Comprehensive Annual Financial Report (CAFR) for disclosure of the Treasurer of State's investments and related risk.

**(3) Long-Term Liabilities**

An estimate for pollution remediation obligations is recorded when the State knows or reasonably believes a site is polluted and when any one of the following events occurs: (1) the State is compelled to take remediation action because pollution creates an imminent endangerment to public health/welfare or the environment, (2) the State is in violation of a pollution prevention-related permit or license, (3) the State is named, or will likely be named, by a regulator as a responsible party or potentially responsible party for remediation, (4) the State is named, or will likely be named, in a lawsuit to compel it to participate in remediation or (5) the State commences or legally obligates itself to commence cleanup activities or monitoring/maintenance of remediation efforts.

At June 30, 2012, pollution remediation obligations totaling \$35,147,738 were recorded for the removal of leaking underground storage tanks.

Leaking underground storage tanks meeting certain eligibility requirements are covered by the Iowa Petroleum Underground Storage Tank program. The program was established to expend funds for remedial action and underground storage tank improvements. Estimated remediation outlays for leaking underground storage tanks are developed by groundwater professionals. The estimates are based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. All estimates for pollution remediation obligations are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected. For the year ended June 30, 2012, the estimated pollution remediation liability decreased \$6,954,435.

The pollution remediation obligation does not include outlays for certain site cleanup activities or operation/maintenance costs because those outlays were not reasonably estimable.

**(4) Explanation of the Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets**

Total fund balance - General Fund	\$ 24,495,111
Pollution remediation liability payable applicable to the Board's governmental activities are not due and payable in the current year and, therefore, are not reported as fund liabilities.	<u>(35,147,738)</u>
Net assets of governmental activities	<u>\$ (10,652,627)</u>

**(5) Explanation of the Difference between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities**

Excess of revenues and other financing sources over expenditures and other financing uses – General Fund	\$ 5,634,232
Liquidation of the pollution remediation liability is reported as an expenditure in the governmental fund, but the payments reduce the long-term liabilities in the Statement of Net Assets.	<u>6,954,435</u>
Change in net assets of governmental activities	<u><u>\$ 12,588,667</u></u>

**(6) Statutory Allocations**

For the year ended June 30, 2012, the Legislature authorized the following allocations from the UST Fund administered by the Board:

Iowa Department of Natural Resources for:	
Administrative expenses for the underground storage tank section	\$ 200,000
Database modification	44,706
Technical tank review	182,266
Iowa Department of Agriculture and Land Stewardship for fuel inspection	<u>108,019</u>
Total	<u><u>\$ 534,991</u></u>

**Required Supplementary Information**

Iowa Petroleum Underground Storage Tank Board  
State of Iowa

Budgetary Comparison Schedule of  
Revenues, Expenditures and Changes  
in Fund Balance – Actual and Budget  
General Fund

Year ended June 30, 2012

	Actual	Original/ Final Budget	Favorable (Unfavorable) Variance
<b>Revenues:</b>			
Motor vehicle use tax*	\$ -	14,000,000	(14,000,000)
License and application fees	6,250	10,000	(3,750)
Environmental protection charges, cost recovery and community remediation buy-ins	16,969	-	16,969
Refunds and reimbursements	820	-	820
Interest on investments	135,868	75,000	60,868
Total revenues	<u>159,907</u>	<u>14,085,000</u>	<u>(13,925,093)</u>
<b>Expenditures:</b>			
Administrative costs	1,230,886	2,350,950	1,120,064
Innocent landowner claims	826,623	1,500,000	673,377
Remedial claims	5,835,075	6,775,000	939,925
Tank closure claims	-	500,000	500,000
Payments to other state agencies	98,100	75,100	(23,000)
Total expenditures	<u>7,990,684</u>	<u>11,201,050</u>	<u>3,210,366</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,830,777)</u>	<u>2,883,950</u>	<u>(10,714,727)</u>
<b>Other financing sources (uses):</b>			
Transfers from the Statutory Allocations Fund	14,000,000		
Allocations to other State Agencies	<u>(534,991)</u>		
Total other financing sources (uses)	<u>13,465,009</u>		
Excess of revenues and other financing sources over expenditures and other financing uses	5,634,232		
Fund balance beginning of year	<u>18,860,879</u>		
Fund balance end of year	<u>\$ 24,495,111</u>		

\* Effective July 1, 2008, Section 321.145 of the Code of Iowa was amended. The motor vehicle use tax is now collected by the Iowa Department of Transportation and deposited directly into the Statutory Allocations Fund. The Iowa Department of Transportation transfers the collections from the Statutory Allocations Fund to the Board.

See accompanying independent auditor's report.

Iowa Petroleum Underground Storage Tank Board  
State of Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

The Administrator for the Iowa Petroleum Underground Storage Tank Board prepares an annual budget for the Board's general operations. This budget is approved and monitored by the Board.

**Supplementary Information**

**Schedule 1**

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Iowa Petroleum Underground Storage Tank Board  
State of Iowa

Expenditures by Object  
General Fund

Year ended June 30, 2012

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Classification	Administrative Costs	Innocent Landowner Claims	Remedial Claims	Total
Contractual services	\$ 1,230,886	-	5,835,075	7,065,961
Claims and miscellaneous	-	826,623	-	826,623
Total	<u>\$ 1,230,886</u>	<u>826,623</u>	<u>5,835,075</u>	<u>7,892,584</u>

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See accompanying independent auditor's report.





# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA  
Auditor of State

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 Members of the Iowa Petroleum  
Underground Storage Tank Board:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Iowa Petroleum Underground Storage Tank Board as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements listed in the table of contents, and have issued our report thereon dated September 11, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the Iowa Petroleum Underground Storage Tank Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Iowa Petroleum Underground Storage Tank Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Iowa Petroleum Underground Storage Tank Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Petroleum Underground Storage Tank Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

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 a material misstatement of the Iowa Petroleum Underground Storage Tank Board's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

#### Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Iowa Petroleum Underground Storage Tank Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance which is described in the accompanying Schedule of Findings.


Comments involving statutory and other legal matters about the Iowa Petroleum Underground Storage Tank Board's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Iowa Petroleum Underground Storage Tank Board. 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 comment involving statutory and other legal matters is not intended to constitute a legal interpretation of those statutes.

The Iowa Petroleum Underground Storage Tank Board's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Iowa Petroleum Underground Storage Tank Board's responses, we did not audit the Iowa Petroleum Underground Storage Tank Board'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 and employees of the Iowa Petroleum Underground Storage Tank Board, citizens of the State of Iowa and other parties to whom the Iowa Petroleum Underground Storage Tank Board 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 the Iowa Petroleum Underground Storage Tank Board 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.

  
Mary Mosiman, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 11, 2013

Iowa Petroleum Underground Storage Tank Board  
State of Iowa

Schedule of Findings

Year ended June 30, 2012

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Financial Reporting – During the audit, we identified a material amount of payables not properly recorded in the financial statements. We also identified a material amount of pollution remediation liability not properly estimated in the GAAP package. Adjustments were made for financial reporting purposes.

Recommendation – Board staff should ensure claims are posted to the proper fiscal year. Also, all pollution remediation liability claims should be included in the estimate on the GAAP package.

Response – Board staff do not have access to the I/3 system. Instead, coding is performed by staff from the Treasurer’s office. Future reports will include all liability claims to ensure proper notice of outstanding liabilities to the State. Due to a new claim type, prior Board staff was unaware the new claim type was to be included in the overall assessment of liabilities. Current Board staff is aware of the need to document all liabilities.

Conclusion – Response accepted.

- (B) Expenditure Coding – One payment of \$97,608 for services performed after June 30, 2012 was improperly coded to fiscal year 2012. The payment was corrected for financial reporting purposes.

Recommendation – Board staff should ensure expenditures are coded to the proper fiscal year.

Response – Due to the timing of service invoice approvals, a FY13 bill which was approved prior to the end of FY12 was inadvertently submitted for payment in the expiring fiscal year. Staff will monitor invoices to ensure future billings are held and appropriately coded to the proper fiscal year.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Iowa Petroleum Underground Storage Tank Board  
State of Iowa

Schedule of Findings

Year ended June 30, 2012

**Finding Related to Required Statutory Reporting and Other Matters:**

Quarterly Report – Chapter 455G.4 of the Code of Iowa requires the Board to submit a quarterly report to the Legislative Council, the chairperson and ranking member of the Committee on Environment and Energy Independence in the Senate and the chairperson and ranking member of the Committee on Environmental Protection in the House of Representatives regarding changes in the status of the program. The Board submits a monthly Board packet to these individuals. However, the packet does not contain all required information.

Recommendation – The required reports should be compiled and submitted quarterly.

Response – Previously, activity reports and Board agendas and minutes were provided to legislators and their staffs directly, including those in the referenced statute. While the regular reports we have been sending will still be provided to legislators and their staffs, a new quarterly report will also be sent to the Legislative Council and the chairperson and ranking member of the Committee on Environment and Energy Independence in the Senate and the chairperson and ranking member of the Committee on Environmental Protection in the House of Representatives.

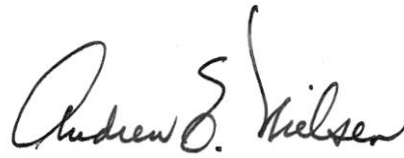
Conclusion – Response accepted.

Iowa Petroleum Underground Storage Tank Board  
State of Iowa

Staff

This audit was performed by:

Ernest H. Ruben, Jr. CPA, Manager  
Keith C. Kistenmacher, Senior Auditor  
Jessica N. Meierotto, Staff Auditor  
Adam B. Bartz, Assistant Auditor  
Stephen J. Hoffman, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State