



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

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**NEWS RELEASE**

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FOR RELEASE \_\_\_\_\_ April 4, 2008

Auditor of State David A. Vaudt today released an audit report on the Central Iowa Employment and Training Consortium (CIETC) for the year ended June 30, 2006. CIETC is an intergovernmental agency established to serve as a grant recipient and administrative entity for the employment and training programs in the counties of Boone, Dallas, Jasper, Madison, Marion, Polk, Story and Warren and the City of Des Moines.

CIETC had revenues of \$5,617,912 for the year ended June 30, 2006, a 14 percent increase over the prior year. Revenues included \$5,124,479 from federal sources, \$226,879 from state sources, \$250,000 from local sources and miscellaneous revenues totaling \$16,554. Expenses for the year totaled \$5,441,973, an 8 percent increase over the prior year. Expenses included \$4,084,676 for salaries and benefits, \$367,722 for subcontracts and \$354,783 for client services.

During the fiscal year ended June 30, 2006, the Office of Auditor of State performed a special investigation of CIETC as a result of concerns identified regarding payments to CIETC's executive employees. The special investigation was performed for the period July 1, 2003 through December 15, 2005. A report issued by the Office of Auditor of State on March 31, 2006 identified unallowable uses of federal funds, including excessive compensation for CIETC executive employees, improper allocation of salaries and supplemental payments to federal grants and indication of "less than arm's length" transactions between Iowa Workforce Development and CIETC.

After the report was issued, CIETC's Chief Executive Officer, Chief Operating Officer and Chief Accountant did not perform substantial work. The Board terminated their employment

effective April 12, 2006. Also, the Chairman of the Board resigned April 6, 2006 and 5 additional Board members of the 14-member Board resigned prior to April 30, 2006.

At the close of business on October 31, 2006, CIETC ceased operations. However, the Board continued to exist to the extent allowed by law to resolve certain outstanding affairs, including resolution of pending lawsuits. CIETC's operations were assumed by the Des Moines Area Community College (DMACC) on November 1, 2006. CIETC employees became employees of DMACC and, with limited exceptions, CIETC assets and liabilities transferred to DMACC. CIETC approved a settlement agreement dated December 12, 2007 with the State of Iowa. Under the agreement, CIETC and its member governments will contribute \$500,000 towards the settlement with the Federal government, among other provisions.

Vaudt reported certain contingent liabilities, related accounts receivable, certain investments and capital asset activity were not recorded in the financial statements. Also, significant cost allocation errors were identified. As a result, CIETC's financial statements for the year ended June 30, 2006 do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the governmental activities, each major fund and the aggregate remaining fund information.

Vaudt also reported CIETC did not comply with requirements regarding activities allowed/unallowed, allowable costs, cash management and subrecipient monitoring applicable to each of its major federal programs. The report includes additional findings regarding CIETC's operations during fiscal year 2006.

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/specials/specials.htm>.

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**CENTRAL IOWA EMPLOYMENT AND TRAINING CONSORTIUM**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2006**

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## Central Iowa Employment and Training Consortium

### Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
<b>Board of Directors</b>		
Archie Brooks (Resigned April 6, 2006)	Chairperson	City of Des Moines
Dave Reed	Vice Chairperson/Chairperson	Boone County
Cy McDonald	Member/Vice Chairperson	Madison County
Sherry Howard	Secretary/Treasurer	Story County
Ako Abdul-Samad (Resigned April 20, 2006)	Member	City of Des Moines
Dan Albritton (Resigned April 11, 2006)	Member	Polk County
John Campbell (Resigned April 11, 2006)	Member	Polk County
Mike Campbell (Resigned April 11, 2006)	Member	Polk County
Richard Clark (Effective April 10 2006)	Member	City of Des Moines
Frank Cownie (Effective April 10, 2006)	Member	City of Des Moines
Michael Galloway (Effective April 20, 2006)	Member	Polk County
Mark Hanson	Member	Dallas County
Cyril Mandelbaum (Effective April 20, 2006)	Member	Polk County
John Mauro (Resigned April 11, 2006)	Member	Polk County
Howard Pothoven	Member	Marion County
Angela Sanders (Effective April 20, 2006)	Member	Polk County
Bob Sandy	Member	Warren County
Anjela Shutts (Effective April 20, 2006)	Member	Polk County
Merrill Stanley (Effective April 10, 2006)	Member	City of Des Moines
Tom Vlassis (Resigned April 20, 2006)	Member	City of Des Moines
Max Worthington	Member	Jasper County
Ramona Cunningham (Through April 12, 2006)	Chief Executive Officer	
John Bargman (Through April 12, 2006)	Chief Operating Officer	
Karen Tesdell (Through April 12, 2006)	Chief Accountant	
Mary Gottschalk	Interim Chief Financial Officer	

**Central Iowa Employment and Training Consortium**



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Independent Auditor's Report

To the Board Members of the Central  
Iowa Employment and Training Consortium:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Central Iowa Employment and Training Consortium (CIETC) as of and for the year ended June 30, 2006, which collectively comprise CIETC's basic financial statements listed in the table of contents. These financial statements are the responsibility of CIETC'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 discussed in Note 11 to the financial statements, management has not recorded certain contingent liabilities and related accounts receivable. Accounting principles generally accepted in the U.S. require contingent liabilities be recognized when a past transaction or event has occurred, a future outflow of resources is probable and the future outflow is measurable. Accounts receivable are required to be recognized when a claim to cash or other assets has been established against others. The contingent liabilities and accounts receivable would increase and/or decrease the assets, liabilities, net assets, revenues and expenses of the governmental activities. Also, as discussed in Note 11, significant cost allocation errors were identified. While these errors would not have an effect on the total expenses of the governmental activities, the expenses may have been reported differently among the funds. The amount by which these departures would affect the assets, liabilities, net assets, revenues and expenses of the governmental activities is not reasonably determinable.

In addition, as discussed in Note 2 to the financial statements, management has not recorded certain investments. Investments are required to be reported at fair value. As discussed in Note 4 to the financial statements, management did not record capital asset activity during the fiscal year ended June 30, 2006. In addition, depreciation expense could not be determined for the fiscal year. Capital assets are required to be capitalized and depreciated. The investments, capital assets and depreciation expense would increase and/or decrease the assets, net assets, revenues and expenses of the governmental activities. The amount by which these departures would affect the assets, net assets, revenues and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of CIETC as of June 30, 2006, or the respective changes in financial position for the year then ended.

In accordance with Government Auditing Standards, we have also issued our report dated August 14, 2007, except for Note 12, as to which the date is March 6, 2008, on our consideration of CIETC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 considered in assessing the results of our audit.

CIETC has not presented Management's Discussion and Analysis the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CIETC's basic financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, because of the effects of the matters discussed previously, is not fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 14, 2007, except for Note 12,  
as to which the date is March 6, 2008

## **Basic Financial Statements**

## Central Iowa Employment and Training Consortium

## Statement of Net Assets

June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 118,711
Accounts receivable	2,136
Due from other funds	33,449
Due from other governments	497,407
Capital assets (net of accumulated depreciation)	94,430
<b>Total assets</b>	<u>746,133</u>
<b>Liabilities</b>	
Accounts payable	263,889
Salaries and benefits payable	60,980
Due to other funds	21,101
Compensated absences	282,839
<b>Total liabilities</b>	<u>628,809</u>
<b>Net Assets</b>	
Invested in capital assets	94,430
Restricted for uses specified in grant or donor agreements	22,894
<b>Total net assets</b>	<u>\$ 117,324</u>

See notes to financial statements.

Central Iowa Employment and Training Consortium

Statement of Activities

Year ended June 30, 2006

	Total	Functions/Programs			Other Special Revenue
		General	Workforce Investment Act	Promise Jobs	
<b>Expenditures:</b>					
Salaries and benefits	\$ 4,084,676	94,233	791,893	1,283,587	1,914,963
Travel	132,251	7,805	14,930	18,598	90,918
Office supplies	124,993	13,061	32,268	56,262	23,402
Office space, utilities, insurance, printing	226,075	11,002	64,147	118,762	32,164
Professional services	151,473	30,637	34,184	40,066	46,586
Subcontracts	367,722	-	348,891	-	18,831
Client services	354,783	412	159,257	-	195,114
Total expenditures	5,441,973	157,150	1,445,570	1,517,275	2,321,978
<b>Program revenues:</b>					
Operating grants and contributions	5,342,837	15,000	1,464,211	1,507,900	2,355,726
Net program expenditures	99,136	142,150	(18,641)	9,375	(33,748)
<b>General Revenues:</b>					
Unrestricted grants and contributions	273,521				
Miscellaneous	1,554				
Total general revenues	275,075				
Change in net assets	175,939				
Net assets beginning of year	(58,615)				
Net assets end of year	\$ 117,324				

See notes to financial statements.

Central Iowa Employment and Training Consortium

Balance Sheet  
Governmental Funds

June 30, 2006

		Workforce Investment Act	Special Promise Jobs
<b>Assets</b>	General		
Cash	\$ 230,789	12,203	7,706
Accounts receivable	-	2,136	-
Due from other funds	-	-	824
Due from other governments	6,164	170,546	72,520
<b>Total assets</b>	<b>\$ 236,953</b>	<b>184,885</b>	<b>81,050</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 1,787	124,400	54,533
Salaries and benefits payable	-	14,758	25,946
Due to other funds	-	21,101	-
Total liabilities	1,787	160,259	80,479
Fund balances:			
Reserved for uses specified in grant or donor agreements	23,295	24,626	571
Unreserved, reported in:			
General fund	211,871	-	-
Special revenue funds	-	-	-
Total fund balances	235,166	24,626	571
<b>Total liabilities and fund balances</b>	<b>\$ 236,953</b>	<b>184,885</b>	<b>81,050</b>

See notes to financial statements.

Revenue		
State Work		
Incentive		
Grant	Nonmajor	Total
497	(132,484)	118,711
-	-	2,136
-	32,625	33,449
95,393	152,784	497,407
95,890	52,925	651,703
41,441	41,728	263,889
6,180	14,096	60,980
-	-	21,101
47,621	55,824	345,970
48,269	22,134	118,895
-	-	211,871
-	(25,033)	(25,033)
48,269	(2,899)	305,733
95,890	52,925	651,703

**Central Iowa Employment and Training Consortium**

Central Iowa Employment and Training Consortium

Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Assets

June 30, 2006

**Total governmental fund balances (page 11)** \$ 305,733

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$147,490 and the accumulated depreciation is \$53,060. 94,430

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (282,839)

**Net assets of governmental activities (page 8)** \$ 117,324

See notes to financial statements.

Central Iowa Employment and Training Consortium

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2006

	General	Workforce Investment Act	Special Promise Jobs
Revenues:			
Federal government grants	\$ -	1,464,211	1,507,900
State government grants	23,521	-	-
Local government grants	250,000	-	-
Other program revenues	16,409	145	-
Total revenues	289,930	1,464,356	1,507,900
Expenditures:			
Salaries and benefits	94,089	786,324	1,274,212
Travel	7,805	14,930	18,598
Office supplies	13,061	32,268	56,262
Office space, utilities, insurance, printing	11,002	64,147	118,762
Professional services	30,637	34,184	40,066
Subcontracts	-	348,891	-
Client services	412	159,257	-
Total expenditures	157,006	1,440,001	1,507,900
Excess (deficiency) of revenues over (under) expenditures	132,924	24,355	-
Fund balances beginning of year	102,242	271	571
Fund balances end of year	\$ 235,166	24,626	571

See notes to financial statements.

Revenue		
State Work		
Incentive		
Grant	Nonmajor	Total
887,499	1,264,869	5,124,479
-	203,358	226,879
-	-	250,000
-	-	16,554
<u>887,499</u>	<u>1,468,227</u>	<u>5,617,912</u>
754,068	1,154,831	4,063,524
76,603	14,315	132,251
1,966	21,436	124,993
3,523	28,641	226,075
3,070	43,516	151,473
-	18,831	367,722
-	195,114	354,783
<u>839,230</u>	<u>1,476,684</u>	<u>5,420,821</u>
48,269	(8,457)	197,091
-	5,558	108,642
<u>48,269</u>	<u>(2,899)</u>	<u>305,733</u>

Central Iowa Employment and Training Consortium  
Reconciliation of the Statement of Revenues, Expenditures and  
Change in Fund Balances –  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2006

**Net change in fund balances - Total governmental funds (page 15)** \$ 197,091

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

(21,152)

**Change in net assets of governmental activities (page 9)** \$ 175,939

See notes to financial statements.

## Central Iowa Employment and Training Consortium

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2006

**Assets**

Cash	\$	38,590
Accounts receivable		8,159
Due from other governments		10,450
<b>Total assets</b>		<u>57,199</u>

**Liabilities**

Due to other governments		30,479
Deposits held in custody		26,720
<b>Total liabilities</b>		<u>57,199</u>

**Net Assets**\$ -

See notes to financial statements.

Central Iowa Employment and Training Consortium

Notes to Financial Statements

June 30, 2006

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

The Central Iowa Employment and Training Consortium (CIETC) is a governmental organization of city and county governments established in accordance with the provisions of Chapter 28E of the Code of Iowa. Its purpose is to serve as a grant recipient and administrative entity for the employment and training programs in the 8-county geographical area of Boone, Dallas, Jasper, Madison, Marion, Polk, Story and Warren counties and the City of Des Moines. CIETC has a governing board composed of representatives appointed by the Boards of Supervisors of its member counties and by the City Council of the City of Des Moines.

CIETC's financial statements are intended to be prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, CIETC has included all funds, organizations, agencies, boards, commissions and authorities. CIETC 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 CIETC are such that exclusion would cause CIETC'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 CIETC 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 CIETC. CIETC has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of CIETC. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by nonexchange transactions, mainly restricted and unrestricted grants.

The Statement of Net Assets presents CIETC's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets* consists of capital assets, net of accumulated depreciation.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

CIETC reports the following major governmental funds:

The General Fund is the general operating fund of CIETC. All general revenues not allocated by law or other contractual agreement to some other funds are accounted for in this fund. From the fund are paid the general operating expenditures not paid from other funds.

The Special Revenue Funds are used to account for grants legally restricted to expenditures specified by grant agreements. Separate funds are established for the Workforce Investment Act, Promise Jobs and the State Work Incentive grants.

Additionally, CIETC reports Fiduciary Funds. The Agency Funds are used to account for assets held by CIETC as an agent for another governmental unit.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

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 period or soon enough thereafter to pay liabilities of the current period. For this purpose, CIETC considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by CIETC.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, CIETC funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is CIETC's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Due from and Due to Other Funds – During the course of its operations, CIETC had numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Capital Assets – Capital assets, which include equipment, are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by CIETC as assets with initial, individual costs in excess of the following threshold and estimated useful lives in excess of one year.

Asset Class	Amount
Equipment	\$ 2,000

Capital assets of CIETC are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Equipment	3 - 5

Due to Other Governments – Due to other governments represents grant funds which have been overdrawn and are repayable to the grantor agency.

Compensated Absences – CIETC employees accumulate a limited amount of earned but unused Paid Time Off (PTO) hours for subsequent use or for payment upon termination or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

**(2) Cash and Investments**

CIETC's deposits in banks at June 30, 2006 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 insure there will be no loss of public funds.

CIETC also held investments with a market value of approximately \$92,000 as of June 30, 2006. However, these investments were not recorded in the financial statements. The investments were liquidated in February 2007.

**(3) Due from and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:	Special Revenue:	
City of Des Moines – Community Development Block Grant	Unknown**	\$ 2,828
Workforce Investment Act – Incentive Funds	Workforce Investment Act	20,000
Promise Jobs	Workforce Investment Act	824
Demonstrations, Pilots and Projects	Workforce Investment Act	126
	Unknown**	9,520
State Emergency Grants (SEG)	Workforce Investment Act	180
Migrant Seasonal Farm Worker	Workforce Investment Act	(10)
New Iowan Funds	Workforce Investment Act	(19)
Total		<u>\$ 33,449</u>

\*\* - Supporting documentation did not permit determination of the Payable Fund.

**(4) Capital Assets**

Supporting documentation did not permit determination of the amount of additions and/or deletions to capital assets during the year ended June 30, 2006 and depreciation for the fiscal year. Capital assets activity for the year ended June 30, 2006 has been summarized as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Equipment being depreciated	\$ 147,490	Unknown	Unknown	147,490
Less: accumulated depreciation	53,060	Unknown	Unknown	53,060
Governmental activities capital assets, net	\$ 94,430	Unknown	Unknown	94,430

**(5) Changes in Long-Term Liabilities**

A summary of changes reflected in the financial statements for long-term liabilities for the year ended June 30, 2006 is as follows:

	Compensated Absences
Balance beginning of year	\$ 261,687
Increases	282,839
Decreases	(261,687)
Balance end of year	\$ 282,839

The June 30, 2006 compensated absences balance includes \$32,608, \$32,064 and \$6,474 for the former Chief Executive Officer (CEO), former Chief Operating Officer (COO) and the former Chief Accountant, respectively. These amounts had not been distributed to the former employees as of the date of the audit report. In addition, three additional former employees did not receive payment for the amount of compensated absences attributable to them when they left CIETC's employment. However, the amount attributable to each of these individuals is less than \$200.

**(6) Pension and Retirement Benefits**

CIETC contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and CIETC is required to contribute 5.75% of covered salary. Contribution requirements are established by state statute. CIETC's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$169,179, \$157,853 and \$138,945, respectively, equal to the required contributions for each year.

**(7) Leasing Arrangements**

CIETC has various agreements to lease office space and storage under cancelable operating leases. These leases were previously reported as non-cancelable. The agreement to lease office space does not include a provision to pay for the use of common areas shared by CIETC and other tenants. Rent expense for the year ended June 30, 2006 was \$180,396.

**(8) Risk Management**

CIETC 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 the purchase of commercial insurance. CIETC assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Pending Litigation**

CIETC is a defendant in several lawsuits seeking unspecified amounts of damages. The probability and amount of loss, if any, is indeterminable.

**(10) Special Investigation**

During the year ended June 30, 2006, the Office of Auditor of State performed a special investigation of CIETC as a result of concerns identified regarding payments to CIETC's executive employees. The special investigation was performed for the period July 1, 2003 through December 15, 2005. A report was issued by the Office of Auditor of State on March 31, 2006.

The special investigation identified unallowable uses of federal funds, including excessive compensation for CIETC executive employees, improper allocation of salaries and supplemental payments to federal grants and indication of "less than arm's length" transactions between Iowa Workforce Development (IWD) and CIETC.

The report did not identify a specific amount of disallowed costs associated with the findings. The report stated officials of the federal funding agencies will determine any actions to be taken as a result of the special investigation, including determination of disallowed costs.

Copies of the special investigation report were filed with the Offices of Inspector General for the U.S. Departments of Labor and Health & Human Services, the Iowa Department of Human Services, the Division of Criminal Investigation, the Attorney General's Office and the Polk County Attorney's Office.

After the report was issued, the CEO, COO and Chief Accountant did not perform substantial work. The Board terminated their employment effective April 12, 2006. Also, the Chairman of the Board resigned April 6, 2006 and 5 additional Board members of the 14-member Board resigned prior to April 30, 2006.

An investigation was initiated by the U.S. Attorney's Office and charges were subsequently filed against CIETC's former CEO, former COO, former Chief Accountant, the former IWD Deputy Director, the former Chairman and a former member of the CIETC Board.

**(11) Contingent Liabilities and Related Matters**

The irregularities identified in the special investigation report issued by the Office of Auditor of State on March 31, 2006 resulted in contingent liabilities and related accounts receivable for CIETC at June 30, 2006. However, these liabilities and accounts receivable were not recorded in the financial statements.

While the report did not identify a specific amount of disallowed costs associated with the findings, the compensation paid to the former CEO, COO and Chief Accountant collectively totaled over \$1.8 million between July 1, 2003 and December 15, 2005. The former COO has agreed to repay up to \$400,000 as part of a plea agreement related to the charges brought against him.

In addition, significant cost allocation errors occurred during the year ended June 30, 2006. The errors affect how certain expenses were allocated among CIETC's funds.

**(12) Subsequent Events**

CIETC experienced significant changes to the composition of the Board during April 2006. During the May 5, 2006 Board meeting, the Board approved establishing arrangements with Des Moines Area Community College (DMACC) and an interim chief financial officer for consulting services. As a result, the day-to-day management of CIETC was assumed by the interim chief financial officer beginning in May 2006.

At the May 18, 2006 Board meeting, the interim chief financial officer informed the Board IWD had terminated the fiscal agent contract with CIETC. As a result, CIETC would no longer have the ability to serve as a grant recipient and administrative entity for the employment and training programs.

Upon the Regional Workforce Investment Board's recommendation at its August 31, 2006 Board meeting, the Board approved making DMACC the fiscal agent.

At the close of business on October 31, 2006, CIETC ceased operations. However, the Board continued to exist to the extent allowed by law to resolve certain outstanding affairs, including resolution of pending lawsuits. CIETC's operations were assumed by DMACC on November 1, 2006. CIETC employees became employees of DMACC and, with limited exceptions, CIETC assets and liabilities transferred to DMACC.

Based on information received from a representative of the Iowa Attorney General's Office, CIETC and its member governments approved a settlement agreement dated December 12, 2007 with the State of Iowa. Under the agreement, CIETC and its member governments will contribute \$500,000 towards the settlement with the Federal government and assigned certain assets, principally claims against potentially responsible parties, to the State. The State will pay the Federal government \$1.3 million using the \$500,000 from CIETC and its member governments and \$800,000 in State funds. In addition, the Iowa Attorney General's Office agreed to pursue recovery from CIETC's insurer and other potentially responsible parties. Any funds recovered will be split between the State and CIETC's member governments based on a formula established in the approved agreement.

**Other Supplementary Information**

Central Iowa Employment and Training Consortium

Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

	City of Des Moines - Community Development Block Grant	Workforce Investment Act - Incentive Funds	Demonstrations, Pilots and Projects
<b>Assets</b>			
Cash	\$ (31,710)	1,994	(32,625)
Due from other funds	2,828	20,000	9,646
Due from other governments	3,804	(19,617)	52,925
<b>Total assets</b>	<b>\$ (25,078)</b>	<b>2,377</b>	<b>29,946</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 410	1,375	20,851
Salaries and benefits payable	(455)	256	7,657
Total liabilities	(45)	1,631	28,508
Fund balances:			
Reserved for uses specified in grant or donor agreements	-	746	1,438
Unreserved	(25,033)	-	-
Total fund balances	(25,033)	746	1,438
<b>Total liabilities and fund balances</b>	<b>\$ (25,078)</b>	<b>2,377</b>	<b>29,946</b>

See accompanying independent auditor's report.

National Emergency Grant (NEG)	State Emergency Grants (SEG)	New Employment Opportunity Fund (NEOF)	Migrant Seasonal Farm Worker	New Iowan	Unemployment Insurance Tax Redesign	Department of Human Services - Refugee Services	Total
(5,684)	8,999	1,338	(35,732)	(32,370)	7,798	(14,492)	(132,484)
-	180	-	(10)	(19)	-	-	32,625
17,824	(6,159)	1,178	41,409	41,108	(8,611)	28,923	152,784
12,140	3,020	2,516	5,667	8,719	(813)	14,431	52,925
6,339	1,939	2,867	2,742	4,258	523	424	41,728
-	529	(351)	2,925	4,461	(1,336)	410	14,096
6,339	2,468	2,516	5,667	8,719	(813)	834	55,824
5,801	552	-	-	-	-	13,597	22,134
-	-	-	-	-	-	-	(25,033)
5,801	552	-	-	-	-	13,597	(2,899)
12,140	3,020	2,516	5,667	8,719	(813)	14,431	52,925

Central Iowa Employment and Training Consortium

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2006

	City of Des Moines - Community Development Block Grant	Workforce Investment Act - Incentive Funds	Demonstrations, Pilots and Projects
Revenues:			
Federal government grants	\$ 48,874	67,424	480,811
State government grants	-	-	-
Total revenues	<u>48,874</u>	<u>67,424</u>	<u>480,811</u>
Expenditures:			
Salaries and benefits	73,907	52,336	427,506
Travel	-	100	3,410
Office supplies	-	3,375	3,482
Office space, utilities, insurance, printing	-	9,920	15,548
Professional services	-	-	24,126
Subcontracts	-	-	-
Client services	-	947	5,301
Total expenditures	<u>73,907</u>	<u>66,678</u>	<u>479,373</u>
Excess (deficiency) of revenues over (under) expenditures	(25,033)	746	1,438
Fund balances beginning of year	-	-	-
Fund balances end of year	<u>\$ (25,033)</u>	<u>746</u>	<u>1,438</u>

See accompanying independent auditor's report.

National Emergency Grant (NEG)	State Emergency Grants (SEG)	New Employment Opportunity Fund (NEOF)	Migrant Seasonal Farm Worker	New Iowan	Unemployment Insurance Tax Redesign	Department of Human Services - Refugee Services	Total
21,748	108,554	121,334	110,793	140,687	164,644	-	1,264,869
-	-	-	-	26,359	-	176,999	203,358
21,748	108,554	121,334	110,793	167,046	164,644	176,999	1,468,227
-	84,772	95,673	103,250	148,576	145,053	23,758	1,154,831
-	1,163	25	5,478	3,714	425	-	14,315
-	-	1,155	287	12,870	267	-	21,436
-	-	-	1,181	694	1,298	-	28,641
-	-	-	597	1,192	17,601	-	43,516
-	-	18,831	-	-	-	-	18,831
15,947	22,067	5,650	-	-	-	145,202	195,114
15,947	108,002	121,334	110,793	167,046	164,644	168,960	1,476,684
5,801	552	-	-	-	-	8,039	(8,457)
-	-	-	-	-	-	5,558	5,558
5,801	552	-	-	-	-	13,597	(2,899)

Central Iowa Employment and Training Consortium  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2006

	Promise Jobs Basic	Promise Jobs Life Skills	Wagner Peyser	Surtax	Unemployment Insurance	Other - Re-employ- ment Services	Food Stamp
<b>Assets</b>							
Cash	\$ 9,336	(10,133)	3,565	(1)	-	-	(2)
Accounts receivable	-	-	-	-	-	-	-
Due from other governments	-	10,133	-	1	-	-	2
<b>Total assets</b>	<b>\$ 9,336</b>	<b>-</b>	<b>3,565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>							
Due to other governments	\$ 9,336	-	3,535	-	-	-	-
Deposits held in custody	-	-	30	-	-	-	-
<b>Total liabilities</b>	<b>\$ 9,336</b>	<b>-</b>	<b>3,565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

See accompanying independent auditor's report.

Disabled Veterans Outreach Program	New Employment Opportunity	Trade Adjustment Act	Governor's 10%	Rapid Response	Governor's 10% (NEGC)	Navigator	New Iowan	Job Fair	Total
1	204	(2)	-	(146)	63	(166)	17,544	18,327	38,590
-	-	-	-	-	-	-	-	8,159	8,159
-	-	2	-	146	-	166	-	-	10,450
<b>1</b>	<b>204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>-</b>	<b>17,544</b>	<b>26,486</b>	<b>57,199</b>
1	-	-	-	-	63	-	17,544	-	30,479
-	204	-	-	-	-	-	-	26,486	26,720
<b>1</b>	<b>204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>-</b>	<b>17,544</b>	<b>26,486</b>	<b>57,199</b>

Central Iowa Employment and Training Consortium  
 Combining Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds

Year ended June 30, 2006

	Promise Jobs Basic	Promise Jobs Life Skills	Wagner Peyser	Surtax	Unemployment Insurance	Other - Re-employ- ment Services	Food Stamp
<b>Assets and Liabilities</b>							
Balances beginning of year	\$ 5,875	3,136	6,676	8,360	13,651	411	4,014
Additions:							
Federal government grants	48,800	10,133	62,575	-	59,376	6,477	5,846
State government grants	-	-	-	49,866	-	-	-
Other program revenues	-	-	-	-	-	-	-
Total additions	48,800	10,133	62,575	49,866	59,376	6,477	5,846
Deductions:							
Agency remittances	45,339	13,269	65,686	58,226	73,027	6,888	9,860
Balances end of year	\$ 9,336	-	3,565	-	-	-	-

See accompanying independent auditor's report.

Disabled Veterans Outreach Program	New Employment Opportunity	Trade Adjustment Act	Governor's 10%	Rapid Response	Governor's 10% (NEGC)	Navigator	New Iowan	Job Fair	Total
1,842	204	708	13	-	22,500	-	-	6,010	73,400
10,462	-	4,300	-	2,341	-	1,621	17,544	-	229,475
-	-	-	13	-	40,836	-	-	-	90,715
-	-	-	-	-	-	-	-	42,636	42,636
10,462	-	4,300	13	2,341	40,836	1,621	17,544	42,636	362,826
12,303	-	5,008	26	2,341	63,273	1,621	-	22,160	379,027
1	204	-	-	-	63	-	17,544	26,486	57,199

**Central Iowa Employment and Training Consortium**

Central Iowa Employment and Training Consortium  
 Schedule of Revenues By Source and Expenditures By Function –  
 All Governmental Funds  
 For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Intergovernmental:				
Federal	\$ 5,124,479	4,314,233	5,415,286	6,593,482
State	226,879	292,265	148,526	174,083
Local	250,000	250,000	14,752	-
Private	-	-	35,000	-
Miscellaneous	16,554	69,758	32,529	281,756
Total	<u>\$ 5,617,912</u>	<u>4,926,256</u>	<u>5,646,093</u>	<u>7,049,321</u>
Expenditures	<u>\$ 5,420,821</u>	<u>4,980,448</u>	<u>5,706,132</u>	<u>6,837,781</u>

See accompanying independent auditor's report.

**Schedule 6**

## Central Iowa Employment and Training Consortium

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Labor:			
WIA Pilots, Demonstrations, and Research Projects	17.261		<u>\$ 463,864</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Workforce Development:			
State Administrative Matching Grants for Food Stamp Program	10.561	1-W-11-FR-0	<u>1,832</u>
U.S. Department of Housing and Urban Development:			
City of Des Moines:			
Community Development Block Grants/ Entitlement Grants	14.218		<u>73,907</u>
U.S. Department of Labor:			
Iowa Workforce Development:			
Employment Services/Wagner-Peyser Funded Activities	17.207	1-W-11-FR-0	<u>177,233</u>
Unemployment Insurance	17.225	1-W-11-FR-0	<u>45,725</u>
Trade Adjustment Assistance	17.245	1-W-11-FR-0	<u>3,592</u>
WIA Adult Program	17.258	1-W-11-FR-0	<u>279,072</u>
WIA Youth Activities	17.259	1-W-11-FR-0	<u>555,409</u>
WIA Dislocated Workers	17.260	1-W-11-FR-0	<u>798,489</u>
Disabled Veterans' Outreach Program (DVOP)	17.801	1-W-11-FR-0	<u>8,620</u>
Labor Management Cooperation	34.002	1-W-11-FR-0	<u>6,065</u>
The Director's Council:			
WIA Pilots, Demonstrations, and Research Projects	17.261		<u>12,057</u>

Central Iowa Employment and Training Consortium

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Education:			
The Director's Council:			
Fund for the Improvement of Education	84.215		3,452
U.S. Department of Health and Human Services:			
Iowa Workforce Development:			
Temporary Assistance for Needy Families	93.558	1-W-11-FR-0	1,563,697
Total indirect			3,529,150
Total			\$ 3,993,014

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Central Iowa Employment and Training Consortium and is presented on the modified 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 basic financial statements.

See accompanying independent auditor's report.

**Central Iowa Employment and Training Consortium**



**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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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 Board Members of the Central  
Iowa Employment and Training Consortium:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Central Iowa Employment and Training Consortium (CIETC) as of and for the year ended June 30, 2006, which collectively comprise CIETC's basic financial statements listed in the table of contents, and have issued our report thereon dated August 14, 2007, except for Note 12, as to which the date is March 6, 2008. Our report expressed adverse opinions on the financial statements due to the omission of certain assets and liabilities. 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

In planning and performing our audit, we considered CIETC's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 CIETC's 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 reportable 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 caused by error or fraud 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 items II-A-06 through II-C-06, II-E-06 and II-F-06 are material weaknesses. Because CIETC ceased operations and management was unavailable, auditee responses to the various findings were not requested.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether CIETC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 an instance of non-compliance or other matters that is required to be reported under Government Auditing Standards, which is described in Part II of the accompanying Schedule of Findings and Questioned Costs as Item II-J-06. We also noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

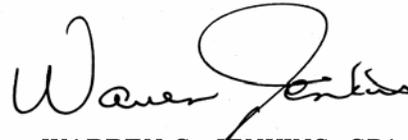
Comments involving statutory and other legal matters about CIETC's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of CIETC. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Because CIETC ceased operations and management was unavailable, auditee responses to the various findings were not requested.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of CIETC 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

August 14, 2007, except for Note 12,  
as to which the date is March 6, 2008

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**Central Iowa Employment and Training Consortium**



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

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board Members of the Central  
Iowa Employment and Training Consortium:

Compliance

We have audited the compliance of the Central Iowa Employment and Training Consortium (CIETC) 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 each of its major federal programs for the year ended June 30, 2006. CIETC's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of CIETC's management. Our responsibility is to express an opinion on CIETC'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 a major federal program occurred. An audit includes examining, on a test basis, evidence about CIETC'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 CIETC's compliance with those requirements.

As described in items III-A-06 through III-F-06 in the accompanying Schedule of Findings and Questioned Costs, CIETC did not comply with requirements regarding activities allowed/unallowed, allowable costs, cash management and subrecipient monitoring applicable to each of its major federal programs. Compliance with such requirements is necessary, in our opinion, for CIETC to comply with requirements applicable to those programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, CIETC did not comply, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of CIETC 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 CIETC's internal control over compliance with requirements that could have a direct and material effect

on a 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.

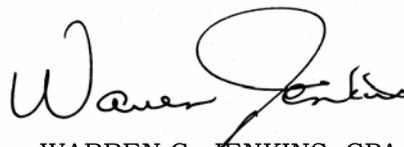
We identified certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect CIETC's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. Reportable conditions are described as items III-G-06 through III-M-06 in the accompanying Schedule of Findings and Questioned Costs. Because CIETC ceased operations and management was unavailable, auditee responses to the various findings were not requested.

A material weakness is a reportable 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 grant agreements caused by error or fraud that would be material in relation to a major 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. However, of the reportable conditions described above, we believe items III-G-06 and III-H-06 are material weaknesses.

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

August 14, 2007, except for Note 12,  
as to which the date is March 6, 2008

Central Iowa Employment and Training Consortium

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

- (a) Adverse opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) Non-compliance material to the financial statements was disclosed by the audit of the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including material weaknesses.
- (e) An adverse opinion was issued on compliance with requirements applicable to each major program.
- (f) 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).
- (g) Major programs were as follows:
  - WIA Cluster:
    - CFDA Number 17.258 – WIA Adult Program
    - CFDA Number 17.259 – WIA Youth Activities
    - CFDA Number 17.260 – WIA Dislocated Workers
  - CFDA Number 17.261 – WIA Pilots, Demonstrations, and Research Projects
  - CFDA Number 93.558 – Temporary Assistance for Needy Families
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The Central Iowa Employment and Training Consortium did not qualify as a low-risk auditee.

Central Iowa Employment and Training Consortium

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

**REPORTABLE CONDITIONS:**

II-A-06 Internal Control – An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from errors or irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations.

Section 4.3 of the Regional Grant Agreement between CIETC and Iowa Workforce Development (IWD) required CIETC to establish procedures which ensure adequate administrative and internal controls were in place to safeguard funds.

The Chief Executive Officer (CEO), Chief Operating Officer (COO) and the Chief Accountant were terminated from CIETC's employment on April 12, 2006. These former employees did not perform substantial work after a report of a special investigation was issued by the Office of Auditor of State on March 31, 2006. The internal control weaknesses identified existed for the entire year, unless otherwise specified.

For the year ended June 30, 2006, the following internal control weaknesses were identified:

- (1) Segregation of Duties – Adequate segregation of duties ensures incompatible duties, from a control standpoint, are not performed by the same employee and helps to prevent losses from employee error or dishonesty. We identified the following areas for which adequate segregation of duties did not exist.
  - a. General Accounting – recording of assets in the general ledger, custody of the assets, detailed recording of receivables, payables and purchasing, reconciliation of assets to accounting records and reconciliation, recording, accounting and maintenance of detailed accounts receivable.
  - b. Capital Assets – periodic tests or inventories by an independent individual.
  - c. Expenditures – control of blank purchase orders, placing orders with vendors, receiving purchased items, processing approved claims, check preparation, disbursing and credit card access/use. In addition, dual signatures on checks were applied by one individual using signature stamps.
  - d. Payroll – recording sick leave and/or vacation, comparing time records to payroll, approving time records, vacation and compensatory time, receiving and distributing payroll checks, custody of undistributed checks and preparation of payroll checks. In addition, rates were not entered into the system by an independent individual or tested for accuracy, approval was not segregated from the individual entering information and the payroll function was not segregated from the personnel function.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- (2) Management Oversight – Management’s attitude, awareness and actions concerning the control environment have a significant impact on the operation of the internal control system. Management is responsible for communicating individuals’ roles within an entity’s operations and monitoring the effectiveness of the internal control system. The following weaknesses in management’s oversight of CIETC’s internal control system and operations were identified:
- a. Entity Operations – high priority was not given to internal control, Board meeting minutes were not signed and no formal training was provided.
  - b. Personnel – written job descriptions were not documented and regular employee job performance evaluations were not conducted.
  - c. Financial Reports – clear budget/financial objectives were not prepared or communicated.
  - d. Expenditures – the individual reviewing claims did not have proper knowledge of federal and/or state grant requirements.
- (3) Accounting Procedures – CIETC accounting staff were provided with a standardized accounting procedures manual. However, several areas for which adequate internal control had not been incorporated or established procedures were not followed were identified. These include:
- a. Revenues – pre-printed, pre-numbered receipts were not used for collections and collections were not deposited timely.
  - b. Expenditures – no evidence of independent review of supporting documentation was available and processed invoices were not compared against receiving reports or other documents for items and/or quantities received.
  - c. Payroll – some employees had the ability to approve their own timesheets, the assistant entering payroll, at times, completed employees’ timesheets and approved them, timesheets were not always approved at appropriate levels, written approval was not required to add or remove employees, change pay rates or change payroll deductions and there were no procedures to ensure employees did not receive more than authorized.
  - d. Accounting System – no separate process was documented for adjustments.

In addition, the following internal control weaknesses were identified for only the period prior to March 31, 2006:

- (1) Segregation of Duties
- a. Bank Reconciliations – preparation and cash receipt/disbursement functions. In addition, independent review or approval was not performed.
  - b. Capital Assets – purchasing, recording and reconciling.
  - c. Expenditures – check signing was not segregated from processing of claims, check preparation and disbursing.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- d. Transfers – preparation, recording and approval.
- e. Financial Reporting – preparation, final review and approval. In addition, the Chief Accountant prepared spreadsheets to document information for financial reporting purposes without independent review of the information contained on the spreadsheets.

(2) Management Oversight

- a. Entity Operations – policies were not adequately communicated, no emphasis was placed on adhering to authorized policies and procedures, policies and procedures for authorizations were not established at an adequately high level, emphasis was not placed on meeting budget and/or financial or operating goals and management/operating decisions were not determined at appropriate levels.
- b. Personnel – credentials or references were not checked prior to hiring and background checks were not performed.
- c. Financial Reports – interim financial reports comparing actual results to prior results and/or current budgets were not prepared, reports prepared were not supported by accounting records, reports were not reviewed or approved at appropriate levels and no procedures were in place to ensure the accounting system included all transactions or the orderly and effective accumulation of financial data. In addition, accounting and key management personnel did not understand how their responsibilities contributed to financial reporting objectives.
- d. Expenditures – claims were not approved by a responsible individual before submission for payment, no procedures were in place to ensure only authorized individuals could initiate transactions and only the former CEO and COO authorized travel costs, at times approving their own travel.

(3) Accounting Procedures

- a. Revenues – initial listing of receipts was not prepared.
- b. Expenditures – actual amounts disbursed were not compared with authorized amounts.
- c. Accounting System – none of the journal entries were adequately explained or supported and one individual prepared, entered and approved all journal entries.

We also identified the following internal control weaknesses for the period subsequent to March 31, 2006.

(1) Segregation of Duties

- a. Expenditures – Based on our discussion with CIETC personnel during fieldwork, recording and reconciliation with the warrant register were not segregated from processing of claims, check preparation

Central Iowa Employment and Training Consortium

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

and disbursing. During later discussions with personnel while finalizing this report, we were informed management approved and reconciled claims with the warrant registers. In addition, the CIETC Board Chair, along with the CIETC Vice-Chair or CIETC Treasurer, approved and reconciled all checks with the warrant register during the check signing process. However, during our fieldwork, we saw no indication of this approval process.

(2) Management Oversight

- a. Personnel – employees were not familiar with how to utilize systems and workload did not facilitate preparation of reliable records.
- b. Financial Reports – responsibility for timely review of subrecipient audit reports and resolution of any non-compliance was not assigned.

(3) Accounting Procedures

- a. Cash – no independent review and approval of bank reconciliations was performed.
- b. Capital Assets – depreciation was not calculated.
- c. Revenues – no independent reconciliation of receipts to the initial listing was performed and there were no procedures to reconcile amounts collected to records of billings/remittances.
- d. Expenditures – bank wire transfers for payment of payroll taxes were not approved by an independent individual.
- e. Payroll – pay rates were not verified. Based on our discussion with CIETC personnel during fieldwork, payroll was not reviewed or approved by someone in authority. However, during later discussions with personnel, we were informed payroll was reviewed or approved by someone in authority.
- f. Accounting System – management was not adequately involved in designing or approving accounting system procedures.

II-B-06 Accounts Receivable – Accounts receivable balances by fund were obtained from Fundware. (Fundware is the accounting system utilized by CIETC.) However, a detailed accounts receivable listing or other supporting documentation was not available. We compared the accounts receivable balances to revenue confirmations obtained from outside sources. Of the 29 accounts receivable balances recorded, 18 did not agree with the amount obtained from the revenue confirmation.

In addition, there were several revenue transactions after June 30, 2006 for which a description could not be obtained. Therefore, we were unable to determine whether those transactions were appropriately classified as accounts receivable. Of the accounts receivable transactions identified, 8 were recorded in Fundware in an improper fund based on the description from the revenue confirmation. The 8 transactions, which totaled \$15,122, were reclassified for presentation in the financial statements.

Central Iowa Employment and Training Consortium

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

II-C-06 Accounts Payable and Salaries Payable – Accounts payable balances by fund were obtained from Fundware. However, a detailed accounts payable listing or other supporting documentation was not available. We calculated accounts payable balances based on the invoices processed after June 30, 2006. We then compared the accounts payable balances from Fundware to our calculated balances. Of the 15 accounts payable balances recorded, 14 did not agree with the calculated amount.

Salaries payable balances by fund were also obtained from Fundware. We were provided two payroll reports as supporting documentation. However, we identified a variance of \$2,899 between the two reports which could not be explained. The two reports only included a total for paid time off. We calculated the paid time off due to each employee and allocated the amounts to the funds using the cost allocation plan provided by CIETC personnel. When we compared the salaries payable balances from Fundware to our calculated balances for each of the 14 funds, none agreed with the calculated amount.

II-D-06 Interfund Receivables and Payables – If revenues are transferred among funds at the end of the fiscal year, those transactions create interfund receivables and payables. The balance of these accounts should always equal. For fiscal year 2006, CIETC's interfund receivables and payables did not equal at June 30.

We identified \$12,348 which appears to be an interfund receivable. However, sufficient supporting documentation is not available to determine in which fund the payable portion should have been recorded.

II-E-06 Supporting Documentation – Sufficient supporting documentation should be maintained for all account balances and classes of transactions. We were unable to locate supporting documentation for certain revenue transactions:

- (1) We identified \$1,408 of revenue recorded in the General Fund for which we were unable to determine the funding source. As a result, we were unable to confirm the accuracy of the amount.
- (2) We were unable to obtain sufficient supporting documentation for Agency Fund revenues received through the Job Fair. The Job Fair revenue recorded in Fundware exceeded the total revenue recorded on the available supporting documentation by \$4,323.

In addition, we were unable to perform procedures for the following account balances and transaction cycles as no documentation was maintained.

- (1) Cash – According to CIETC personnel, the former Chief Accountant performed bank reconciliations prior to March 31, 2006. However, none of these documents could be located and we were unable to perform procedures to test these reconciliations.
- (2) Capital Assets – CIETC reported capital assets and related depreciation on its fiscal year 2005 financial statements. However, accounting personnel were unable to provide sufficient supporting documentation to allow testing or determination of capital asset activity, including depreciation, for fiscal year 2006.

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(3) Transfers – According to CIETC personnel, the former Chief Accountant had sole responsibility for processing transfers prior to March 31, 2006. They were unable to separately identify transfers using Fundware and no documentation was maintained for transfers made, if any. As a result, we were unable to perform procedures to test transfers prior to March 31.

II-F-06 Revenue Recognition – CIETC’s primary funding source is federal grants passed through IWD. Because the grants are administered on a reimbursement-basis, revenue should not be recognized until it is earned (when a reimbursement is due to CIETC from IWD).

Based on our testing of recorded revenues and discussions with CIETC personnel, we identified revenue recognized in CIETC’s fiscal year 2006 financial records which had also been recognized and recorded in previous fiscal years. In addition, for the federal grants received through IWD, the revenue recognized and recorded in the fiscal year 2006 financial records was the budgeted amount for the grant, regardless of whether the entire budgeted amount was earned and reimbursed to CIETC.

II-G-06 Expenditures – Expenditures reported on the financial statements are to be supported by the transactions recorded on Fundware. For the Prisoner Re-entry Incentive grant, \$12,057 of expenditures was recorded in Fundware for fiscal year 2006. However, by reviewing supporting documentation, we identified \$13,287 of expenditures for this program. Because sufficient supporting documentation was not available for all recorded expenditures, we are unable to determine whether the additional \$1,230 of costs were recorded in Fundware as expenditures of another program. As discussed in Finding III-F-06, we identified errors within the cost allocation plan.

II-H-06 Reconciliation of Trial Balance to General Ledger – CIETC’s fiscal year 2006 trial balance did not reconcile to the fiscal year 2006 general ledger. Both reports were generated from Fundware.

II-I-06 Legal Expenses – Subsequent to the issuance of the special investigation by the Office of Auditor of State, CIETC engaged a law firm to provide legal counsel. We obtained and reviewed invoices from the firm to determine whether expenditures incurred by CIETC were allowable under applicable grant requirements. However, we were provided with redacted versions of the invoices. As a result, we are unable to determine what portion, if any, of the invoices were unallowable.

**INSTANCE OF NON-COMPLIANCE:**

II-J-06 Polk County Funding – During fiscal year 2006, CIETC received \$250,000 from Polk County in response to a written request from the former CEO, which we reviewed. According to documentation obtained from Polk County officials, the funds were to be used to train and offer employment support services to unemployed and underemployed persons in Central Iowa. However, 27.43% of the funding received was used to pay staff bonuses, which does not appear to be in compliance with the provision of the grant agreement. CIETC subsequently repaid approximately \$197,000 to Polk County.

Central Iowa Employment and Training Consortium

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

**INSTANCES OF NON-COMPLIANCE:**

**CFDA Number: 17.258, 17.259, 17.260, 17.261, 93.558**

**Pass-through Agency Number: 1-W-11-FR-0**

**Federal Award Year: 2006**

**U.S. Department of Labor and U.S. Department of Health and Human Services  
Passed through Iowa Workforce Development**

III-A-06 Questioned Costs – During both major program testing and general compliance testing, we identified several transactions which resulted in questioned costs. The following table lists each program and the related questioned costs for the major and nonmajor programs. For the findings referenced in the table, we also identified a state and/or local funding portion of the cost. Those amounts have been reported in the finding referenced.

Program	Questioned Costs	Reference
Major programs:		
WIA Cluster (WIA):		
Administrative costs	\$ 4,809	III-D-06
Expenditures	4,358	III-C-06
Bonuses	99,459	III-G-06
Other questioned costs	4,946	IV-B-06
Travel costs	687	IV-C-06
Subtotal	<u>114,259</u>	
Temporary Assistance for Needy Families (TANF):		
Expenditures	1,322	III-C-06
Bonuses	76,440	III-G-06
Other questioned costs	2,934	IV-B-06
Travel costs	2,192	IV-C-06
Subtotal	<u>82,888</u>	
Nonmajor programs:		
Expenditures	24,747	III-C-06
Bonuses	47,587	III-G-06
Other questioned costs	18,204	IV-B-06
Travel costs	2,522	IV-C-06
Subtotal	<u>93,060</u>	
Total	<u>\$ 290,207</u>	

We also identified certain conditions which may result in questioned costs for which we are unable to identify a specific dollar amount. These conditions are reported separately.

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Year ended June 30, 2006

III-B-06 Reimbursement Basis – WIA and TANF are administered on a reimbursement basis in accordance with OMB Circular A-133 and CIETC’s grant agreement with IWD. Funds drawn by CIETC are to be based on actual expenditures for the time period claimed. However, the drawdown requests completed by the former Chief Accountant from July 1, 2005 to March 31, 2006 were based on estimated amounts. The drawdown request made for May 2006 for TANF was also based on an estimated amount. CIETC was unable to provide any documentation of how the estimates were calculated and/or subsequent comparisons of actual expenditures to the estimates.

III-C-06 Expenditures – Federal requirements distinguish between allowable and unallowable uses of federal funds. Expenditures paid with federal funds should have sufficient supporting documentation to allow determination of the allowability of the transaction. During our testing of major programs, we identified 1 of 20 expenditures tested for WIA totaling \$275 for which we were unable to locate supporting documentation. In addition, we identified 1 of 20 WIA expenditures tested and 2 of 20 TANF expenditures tested which were disbursed for unallowable purposes. Total unallowable expenditures identified were \$2,909 for WIA and \$467 for TANF.

We also identified certain expenditures during general compliance testing for which there was no supporting documentation. Of the 176 expenditures tested, 31 did not have adequate supporting documentation. Total unsupported expenditures equaled \$41,109. Of this amount, \$1,174 was disbursed under WIA and \$855 was disbursed under TANF. Of the remaining \$39,080, \$14,333 was from state and/or local funding and \$24,747 was from nonmajor federal programs.

The total amount included in questioned costs reported in Finding III-A-06 is \$4,358 for WIA, \$1,322 for TANF and \$24,747 for nonmajor federal programs.

III-D-06 WIA Administrative Costs – As established in OMB Circular A-133, CIETC was not to expend more than 10% of WIA funding received for administrative costs. During fiscal year 2006, administrative costs exceeded this limitation by \$4,809, resulting in questioned costs. This amount is included in questioned costs for WIA in Finding III-A-06.

III-E-06 Subrecipient Monitoring – Iowa Comprehensive Human Services (ICHS) was a subrecipient of CIETC and administered the WIA Youth Activities program. CIETC was responsible for oversight of ICHS and had established monthly reports, year-end close-out reports and on-site visits as methods of oversight. During fiscal year 2006, on-site monitoring visits to ICHS were not conducted. In addition, the monthly reports submitted by ICHS show no evidence of approval by ICHS personnel. ICHS did not submit a 2006 year-end close-out report to CIETC.

The former Chief Accountant was responsible for monitoring ICHS. After the former Chief Accountant was terminated from CIETC’s employment, the oversight duties were not reassigned. Visits to ICHS were to occur at least annually to trace claims to support. Monitoring was not performed to review financial reports, programmatic records or observe operations. However, monthly reports continued to be submitted.

Central Iowa Employment and Training Consortium

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III-F-06 Expenditure Allocation – In accordance with OMB Circular A-87, a cost allocation plan is to be established for each quarter of the fiscal year. The approved cost allocation plan should then be used to allocate both payroll and non-payroll expenditures. CIETC did not prepare a cost allocation plan for the fourth quarter of fiscal year 2006. In addition, supporting documentation, supporting calculations and/or the basis for the cost allocation plans prepared for the first through third quarters could not be located.

We tested the application of the cost allocation plans prepared for the first through third quarters of fiscal year 2006. Of the 98 individual allocation percentages tested, 42 were not applied in accordance with the established cost allocation plan. According to the interim Chief Financial Officer, it appears expenditures were recorded to those programs with more funds available rather than the proper program determined by applying the cost allocation plan.

In addition, of the 20 WIA expenditures tested, 10 were not allocated in accordance with the approved cost allocation plans. In addition, 14 of the 20 TANF expenditures tested were not allocated in accordance with the approved cost allocation plans.

As a result of the concerns identified with the establishment and implementation of the quarterly cost allocation plans, we are unable to determine what questioned costs, if any, exist for each grant.

**REPORTABLE CONDITIONS:**

III-G-06 Salaries and Bonuses – As disclosed in Note 10 to the financial statements, during the year ended June 30, 2006, the Office of Auditor of State performed a special investigation of CIETC as a result of concerns identified regarding payments to CIETC's executive employees. The investigation identified unallowable uses of federal funds, including excessive compensation to the former CEO, COO and Chief Accountant. During fiscal year 2006, the following bonuses were paid:

- \$115,205 to the former CEO, of which \$81,269 was disbursed from WIA funds and \$28,615 was disbursed from TANF funds. Of the remaining, \$5,321, \$1,121 was disbursed from a nonmajor federal program and \$4,200 was disbursed from local funding.
- \$109,152 to the former COO, of which \$17,407 was disbursed from WIA funds and \$45,758 was disbursed from TANF funds. Of the remaining \$45,987, \$5,372 was disbursed from state funding and \$40,615 was disbursed from a nonmajor federal program.
- \$9,714 to the former Chief Accountant, of which \$783 was disbursed from WIA funds and \$2,067 was disbursed from TANF funds. Of the remaining \$6,864, \$1,013 was disbursed from state funding and \$5,851 was disbursed from nonmajor federal programs.

The total amount included in questioned costs reported in Finding III-A-06 is \$99,459 for WIA, \$76,440 for TANF and \$47,587 for nonmajor federal programs.

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In addition, salaries paid to these individuals appear excessive based on salary studies performed during fieldwork for the special investigation issued by the Office of Auditor of State on March 31, 2006.

Subsequent to the release of the special investigation, several items have been reported in the media regarding employees being paid for time not worked. As a result of the internal control deficiencies discussed in Finding II-A-06, we are unable to determine the amount of questioned costs, if any, from occurrences of this nature.

III-H-06 Internal Control – An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from errors or irregularities. These procedures provide the actions of one individual will act as a check on those of another and provide a level of assurance errors or irregularities will be noted within a reasonable time during the course of normal operations. In addition, for federal programs, internal controls provide a level of assurance funds are disbursed in accordance with federal grant requirements. We identified the following weaknesses in internal controls for WIA and TANF.

(1) For WIA:

- a. Activities Allowed and Unallowed – Reasonable budgets for federal and non-federal programs were not established and incentives to miscode expenditures existed. In addition, electronic approvals of expenditures on Fundware were not documented.
- b. Cash Management – Interest may have been earned on reimbursements received in advance of actual expenditures as a result of estimated drawdown requests prepared by the former Chief Accountant during the period July 1, 2005 through March 31, 2006. Due to the nature of the records readily available, we are unable to determine the amount of interest earned, if any.
- c. Earmarking – There was no evidence of adequate review of monthly cost reports and adjusting entries, supervisory review of earmarking activities to assess the accuracy and allowability of transactions and evidence of the budget completed by the former COO.
- d. Procurement, Suspension and Debarment – There were no policies against the intervention or overriding of established procurement controls, no segregation of duties between employees maintaining accounts payable records and cash disbursing, no procedures in place to identify related party transactions and personnel responsible for procurement did not have adequate knowledge of allowability of expenditures.

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- e. Program Income – Management was not prohibited from intervening or overriding controls over program income and there were no mechanisms in place to identify the risk of unrecorded or miscoded program income.
- f. Subrecipient Monitoring – Management did not prohibit overriding of established procedures to monitor subrecipients and supervisory reviews were not performed to determine the adequacy of subrecipient monitoring.

(2) For TANF:

- a. Activities Allowed and Unallowed – Reasonable budgets for federal and non-federal programs were not established and incentives to miscode expenditures existed. In addition, electronic approvals of expenditures on Fundware were not documented.
- b. Cash Management – Interest may have been earned on reimbursements received in advance of actual expenditures as a result of estimated drawdown requests prepared by the former Chief Accountant during the period July 1, 2005 through March 31, 2006. Due to the nature of the records available, we are unable to determine the amount of interest earned, if any.

III-I-06 Supporting Documentation – Sufficient supporting documentation should be maintained for all account balances and classes of transactions. We were unable to locate supporting documentation for \$145 of program revenue recorded for WIA. We were also unable to determine the accuracy of the amount.

III-J-06 Financial Status Reports – Financial Status Reports (FSRs) are to be submitted to IWD for the WIA and TANF programs by the 20<sup>th</sup> of each month and the year-end close-out report is to be submitted by August 15<sup>th</sup> following the end of the fiscal year. We selected 3 months to test the FSRs submitted for WIA and TANF. We were unable to locate the September 2005 FSR for either program at the CIETC offices or the FBI offices. For the 4 FSRs we were able to test, none showed evidence of approval. In addition, the 2006 year-end close-out report for WIA was not submitted timely.

III-K-06 Approval of Expenditures – All expenditures should have approval from appropriate personnel prior to payment being made. Of the 20 WIA expenditures tested, 11 were either not approved or were not approved by appropriate personnel. In addition, 8 of the 20 TANF expenditures tested were either not approved or were not approved by appropriate personnel.

III-L-06 Transfer of Funds – Transfer of funds among the programs within WIA is allowed with proper authorization. Supporting documentation for transfers made during fiscal year 2006 was not maintained. According to CIETC personnel, all transfers, if any, were processed by the former Chief Accountant. We were unable to identify any transfers.

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III-M-06 Promotional Items - CIETC purchased office supplies from a vendor which occasionally provides complimentary promotional items once certain thresholds are met. CIETC did not have an established policy or procedure addressing the proper disposition of such promotional items. According to personnel we spoke with, the promotional items were taken home by employees. For an invoice we tested from the vendor, we observed receipt of a microfiber business tote. We also observed invoices from the vendor after the close of fiscal year 2006 which included a CD player, CD organizer, 2 cookbooks, a grill with a 3 piece accessory kit and a cooler bag. We were unable to determine whether excess office supplies were purchased to allow for receipt of such promotional items.

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

IV-A-06 Budget – Because a budget could not be provided, we were unable to determine whether a reasonable budget was established for each program and whether expenditures exceeded the budget in any particular function.

IV-B-06 Questionable Expenditures – Federal guidelines establish allowable and unallowable uses for funding received under federal programs. Allowability should be considered as part of the review process for all expenditures. CIETC purchased several items which do not appear to meet allowability requirements. Of the 176 expenditures tested, 45 did not appear to have a legitimate business purpose. We also identified 2 of the 176 expenditures tested which appeared unallowable. The expenditures identified totaled \$30,577.

We identified payments totaling \$17,000 for placement fees, \$6,716 for meals for Board meetings and employees, \$1,319 for gifts for Board Members and employees, \$651 for flowers, \$1,340 for lobbying expenses and \$3,551 for other items for personal use.

Of the \$30,577 identified, \$4,946 was funded by WIA, \$2,934 was funded by TANF and \$18,204 was funded by nonmajor federal programs. These amounts have been included in Part III, Finding III-A-06. The remaining \$4,493 was disbursed from state and/or local funding.

IV-C-06 Travel Expense – During fiscal year 2006, any staff or Board member traveling for CIETC business was allowed a \$75 per diem for meals and incidentals in accordance with CIETC’s policy. At the direction of the former CEO, an employee’s full per diem was provided in advance of the travel. Upon completion of the trip, no receipts or other supporting documentation were required to be submitted and remittance of the unspent portion, if any, of the advanced per diem was not required. Of the 176 transactions we tested, 17 included per diems totaling \$6,300 which were not supported. Of this amount, \$687 was funded by WIA, \$2,192 was funded by TANF and \$2,522 was funded by nonmajor federal programs. These amounts have been included in Part III, Finding III-A-06. The remaining \$899 was disbursed from state and/or local funding.

IV-D-06 Business Transactions – Business transactions between CIETC and CIETC officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ako Abdul-Samad, former Board Member, former CEO of Creative Visions	Contract for services	\$ 26,334
Deb Dessert, wife of former COO	Consulting	13,095
Dan Albritton, former Board member	Consulting	7,000
John Mauro, former Board member, owner of Insurance Networking Systems	Provision of health insurance	**

\*\* Payments were not made to Insurance Networking Systems but to the companies providing the health insurance coverage.

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In addition, as discussed in Note 10 to the financial statements, the special report issued by the Office of Auditor of State on March 31, 2006 identified concerns regarding “less than arm’s length” transactions conducted between CIETC and IWD. However, we were unable to identify specific costs associated with the transactions.

- IV-E-06 Bond Coverage – Surety bond coverage of CIETC officials and employees is in accordance with the Regional Grant Agreement between CIETC and Iowa Workforce Development.
- IV-F-06 Board Minutes – CIETC has a 14-member Board representing 8 metro-area counties and the City of Des Moines. During fiscal year 2006, the Board met every 3<sup>rd</sup> Thursday of the month. Minutes of meetings held were not signed by a member of the Board. After the former CEO, COO and Chief Accountant were terminated from employment, the Board’s Executive Committee met informally on a weekly basis to oversee financial transactions. Because these meetings did not occur in an open manner, they gave the appearance discussions may have been held and decisions may have been made without the opportunity for public input.
- IV-G-06 Deposits and Investments – CIETC had funds invested in stock at June 30, 2006 which were not reported on the financial statements. The stock was received when an insurance company demutualized. The stock was subsequently sold in February 2007.

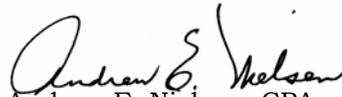
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Central Iowa Employment and Training Consortium

Staff

This audit was performed by:

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