



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

May 18, 2009

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the ADLM Counties Environmental Public Health Agency.

The Agency had total receipts of \$562,494 for the year ended June 30, 2008, a 26 percent increase over 2007. The receipts included \$170,000 in community facility revenue bond proceeds, \$140,709 in inspections and sales, \$104,877 in contributions from member counties, \$53,067 in state and federal grants, \$37,500 in state grants for well abandonment, \$30,000 in bond anticipation note proceeds and \$26,341 in other receipts.

Disbursements totaled \$661,390 for the year ended June 30, 2008, a 96 percent increase over the prior year, and included \$222,179 for construction of a new facility, \$208,693 for salaries and benefits, \$131,888 for bond anticipation note principal and interest payments and \$29,473 for well testing and abandonment.

The significant increase in receipts is due to the receipt of community facility revenue bond proceeds for the construction of a new facility. The significant increase in disbursements is due to retiring the bond anticipation notes and facility construction.

A copy of the audit report is available for review in the ADLM Counties Environmental Public Health Agency office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**ADLM COUNTIES ENVIRONMENTAL PUBLIC HEALTH AGENCY**

**INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENT AND  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

## Table of Contents

	<u>Page</u>
Commission Members and Agency Officials	3
Independent Auditor's Report	5
Management's Discussion and Analysis	7-9
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A 12
Notes to Financial Statement	13-15
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with <u>Government Auditing Standards</u>	19-20
Schedule of Findings	21-25
Staff	26

**ADLM Counties Environmental Public Health Agency**

**Commission Members**

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Larry Davis	Chair	Lucas County
Dale Taylor	Vice-Chair	Davis County
Dean Kaster	Secretary	Appanoose County
Denny Ryan	Member	Monroe County

**Agency Officials**

Donnie Herteen	Co-Director
Bill Milani	Co-Director
Connie Foster	Office Manager

**ADLM Counties Environmental Public Health Agency**



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Independent Auditor's Report

To the Member Counties of the  
ADLM Counties Environmental Public Health Agency:

We have audited the accompanying financial statement of the ADLM Counties Environmental Public Health Agency as of and for the year ended June 30, 2008. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the ADLM Counties Environmental Public Health Agency at June 30, 2008, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 17, 2009 on our consideration of the ADLM Counties Environmental Public Health Agency'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 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.

Management's Discussion and Analysis on pages 7 through 9 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 17, 2009

**ADLM Counties Environmental Public Health Agency**

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The ADLM Counties Environmental Public Health Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the ADLM Counties Environmental Public Health Agency is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

### **2008 FINANCIAL HIGHLIGHTS**

- ◆ Operating receipts increased 3.8%, or approximately \$11,000, from fiscal year 2007 to fiscal year 2008.
- ◆ Operating disbursements increased 16.6%, or approximately \$43,000, from fiscal year 2007 to fiscal year 2008.
- ◆ Cash basis net assets decreased approximately \$99,000 from June 30, 2007 to June 30, 2008.

### **USING THIS ANNUAL REPORT**

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Agency's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

## FINANCIAL ANALYSIS OF THE AGENCY

### Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for contributions from member counties, operating grants, licenses and permits, inspections and sales and other receipts. Operating disbursements are disbursements paid to operate the Agency. Non-operating receipts and disbursements are for capital grants, debt proceeds and capital projects. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2008 and June 30, 2007 are presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2008	2007
Operating receipts:		
Contributions from member counties	\$ 104,877	99,800
State grant for well abandonment	37,500	27,500
Licenses, permits, inspections and sales	152,759	170,427
Sales tax refunds	3,784	-
Miscellaneous	10,507	370
Total operating receipts	<u>309,427</u>	<u>298,097</u>
Operating disbursements:		
Salaries and benefits	208,693	184,796
Office supplies, equipment and furniture	17,827	11,877
Travel	17,777	21,991
Telephone	3,947	3,703
Building maintenance, utilities and insurance	7,990	-
Well testing and abandonment	29,473	20,197
Lead abatement	2,080	2,071
Radon testing	772	1,691
Legal services	3,780	2,839
Miscellaneous	7,218	7,690
Total operating disbursements	<u>299,557</u>	<u>256,855</u>
Excess of operating receipts over operating disbursements	<u>9,870</u>	<u>41,242</u>
Non-operating receipts (disbursements):		
Bond anticipation note proceeds	30,000	100,000
Community facility revenue bond proceeds	170,000	-
Bond anticipation note payments	(131,888)	-
Community facility revenue bond payments	(6,651)	-
Closing fee on bank loan	(1,115)	-
State and federal grants for new facility	53,067	50,000
Construction of new facility	(222,179)	(81,408)
Net non-operating receipts (disbursements)	<u>(108,766)</u>	<u>68,592</u>
Net change in cash basis net assets	(98,896)	109,834
Cash basis net assets beginning of year	<u>123,729</u>	<u>13,895</u>
Cash basis net assets end of year	<u>\$ 24,833</u>	<u>123,729</u>
<b>Cash Basis Net Assets</b>		
Restricted for new facility	\$ -	68,592
Unrestricted	<u>24,833</u>	<u>55,137</u>
Total cash basis net assets	<u>\$ 24,833</u>	<u>123,729</u>

In fiscal year 2008, operating receipts increased approximately \$11,000, or 3.8%, over fiscal year 2007. In fiscal year 2008, operating disbursements increased approximately \$43,000, or 16.6%. The increase in total receipts was primarily due to proceeds from community facility revenue bonds for construction of a new facility for the ADLM Counties Environmental Public Health Agency. The increase in total disbursements was primarily due to retiring the bond anticipation notes and facility construction.

### **LONG-TERM DEBT**

At June 30, 2008, the Agency had three community facilities revenue bonds outstanding of approximately \$169,000. Additional information about the Agency's bonds are presented in Note 6 to the financial statements.

### **ECONOMIC FACTORS**

The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.

The Agency completed the facility building project in FY 2009.

### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the ADLM Counties Environmental Public Health Agency, P.O. Box 399, Moravia, Iowa 52571.

**ADLM Counties Environmental Public Health Agency**

## **Financial Statement**

**Exhibit A**

## ADLM Counties Environmental Public Health Agency

Statement of Cash Receipts, Disbursements and  
Changes in Cash Basis Net Assets

Year ended June 30, 2008

Operating receipts:	
Contributions from member counties	\$ 104,877
State grant for well abandonment	37,500
Licenses and permits	12,050
Inspections and sales	140,709
Sales tax refunds	3,784
Energy efficiency utility rebates	5,403
Miscellaneous	5,104
Total operating receipts	<u>309,427</u>
Operating disbursements:	
Salaries and benefits	208,693
Office supplies, equipment and furniture	17,827
Travel	17,777
Telephone	3,947
Building maintenance, utilities and insurance	7,990
Well testing and abandonment	29,473
Lead abatement	2,080
Legal services	3,780
Miscellaneous	7,990
Total operating disbursements	<u>299,557</u>
Excess of operating receipts over operating disbursements	<u>9,870</u>
Non-operating receipts (disbursements):	
Bond anticipation note proceeds	30,000
Community facility revenue bond proceeds	170,000
Bond anticipation note payments:	
Principal repaid	(130,000)
Interest paid	(1,888)
Community facility revenue bond payments:	
Principal repaid	(1,265)
Interest paid	(5,386)
Closing fee on bank loan	(1,115)
State and federal grants for new facility	53,067
Construction of new facility	(222,179)
Net non-operating receipts (disbursements)	<u>(108,766)</u>
Net change in cash basis net assets	(98,896)
Cash basis net assets beginning of year	<u>123,729</u>
Cash basis net assets end of year	<u>\$ 24,833</u>
<b>Cash Basis Net Assets</b>	
Unrestricted	<u>\$ 24,833</u>

See notes to financial statement.

ADLM Counties Environmental Public Health Agency

Notes to Financial Statement

June 30, 2008

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

The counties of Appanoose, Davis, Lucas and Monroe entered into a 28E agreement in 2004 to establish a joint Commission composed of one representative from each county. Each member county has one vote.

Pursuant to Chapter 28E of the Code of Iowa, the Commission established and governs the ADLM Counties Environmental Public Health Agency. The primary purpose of the Agency is to enforce all rules and regulations (state and local) pertaining to public health for and on behalf of its member counties.

In prior years, the Appanoose County Auditor was the fiscal agent for the Agency. Accordingly, the Agency's financial data was included as an Agency Fund within Appanoose County's financial statements.

On July 1, 2006, the Lucas County Auditor became the fiscal agent for the Agency. On or about January 1, 2007, the Agency assumed financial reporting responsibilities for its activities.

A. Reporting Entity

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

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### C. Basis of Accounting

The ADLM Counties Environmental Public Health Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

#### **(2) Cash**

The Agency's deposits in banks at June 30, 2008 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.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

#### **(3) Pension and Retirement Benefits**

The Agency 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 3.90% of their annual covered salary and the Agency is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the year ended June 30, 2008 was \$9,655, equal to the required contribution for the year.

#### **(4) Risk Management**

The Agency 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. The Agency 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.

**(5) Community Facility Revenue Bond Anticipation Note**

On June 7, 2007, the Agency entered into a community facility revenue bond anticipation note with US Bank, N.A. for a maximum of \$130,000 to finance a portion of the costs to construct an office building. The note was due on May 1, 2008 with interest from the date of each advance until paid at a variable interest rate equal to 69% of the prime rate published in the Wall Street Journal. During the year ended June 30, 2008, the Agency received advances of \$30,000 and paid principal and interest of \$131,888 to retire the note.

**(6) Community Facility Revenue Bonds**

On September 27, 2007, the Agency entered into three community facility revenue bonds with the U.S. Department of Agriculture, totaling \$170,000, to finance a portion of the costs to construct an office building, including the refunding of the community facility revenue bond anticipation note. Principal and interest on the three bonds require equal monthly payments totaling \$739, with interest at 4.25% per annum, commencing on October 27, 2007 and continuing through 2047. During the year ended June 30, 2008, the Agency paid bond principal and interest of \$6,651. The three bonds have an outstanding balance of \$168,735 at June 30, 2008 and are due as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,730	7,138	8,868
2010	1,805	7,063	8,868
2011	1,883	6,985	8,868
2012	1,964	6,904	8,868
2013	2,049	6,819	8,868
2014 - 2018	11,659	32,682	44,341
2019 - 2023	14,414	29,926	44,340
2024 - 2028	17,821	26,519	44,340
2029 - 2033	22,031	22,309	44,340
2034 - 2038	27,237	17,103	44,340
2039 - 2043	33,674	10,666	44,340
2044 - 2047	32,468	2,882	35,350
Total	\$ 168,735	176,996	345,731

**(7) Compensated Absences**

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Agency until used or paid. The Agency's approximate liability for earned vacation at June 30, 2008 was \$13,000. This liability has been computed based on rates of pay in effect at June 30, 2008.

**ADLM Counties Environmental Public Health Agency**

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of a Financial Statement Performed in Accordance with  
Government Auditing Standards**

**ADLM Counties Environmental Public Health Agency**



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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 a Financial Statement Performed in Accordance with  
Government Auditing Standards

To the Member Counties of the  
ADLM Counties Environmental Public Health Agency:

We have audited the accompanying financial statement of the ADLM Counties Environmental Public Health Agency as of and for the year ended June 30, 2008, and have issued our report thereon dated April 17, 2009. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. 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 the ADLM Counties Environmental Public Health Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the ADLM Counties Environmental Public Health Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ADLM Counties Environmental Public Health Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the Agency's financial statement that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ADLM Counties Environmental Public Health Agency's financial statement is 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 no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. 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.

The ADLM Counties Environmental Public Health Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit the ADLM Counties Environmental Public Health Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the ADLM Counties Environmental Public Health Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the ADLM Counties Environmental Public Health Agency 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

April 17, 2009

ADLM Counties Environmental Public Health Agency

Schedule of Findings

June 30, 2008

**Findings Related to the Financial Statement:**

**SIGNIFICANT DEFICIENCIES:**

(A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Agency's financial statements. One person has control over each of the following areas:

- (1) All incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.
- (2) One person has primary control over collecting, deposit preparation and posting receipts.
- (3) Bank accounts are not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations are not reviewed by an independent person for propriety.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. The Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances. The Commission should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews would be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Financial transactions, reconciliations and reports will be reviewed to the best of our ability, considering the size of the office staff is so small.

Conclusion – Response accepted.

(B) Receipts – Prenumbered receipts are not issued for all collections.

Recommendation – Prenumbered receipts should be issued for all collections. Later, the prenumbered receipts should be compared to the cash receipts records by an independent person for propriety. The independent review should be evidenced by the reviewer's initials or signature and the date of review.

Response – Prenumbered receipts are now used. An independent review will be performed and will be initialed or signed on the date of review.

Conclusion – Response accepted.

ADLM Counties Environmental Public Health Agency

Schedule of Findings

June 30, 2008

- (C) Disbursements – There was no evidence checks and supporting documentation were reviewed for propriety before the checks were signed.

Recommendation – All supporting documentation should be reviewed for propriety before signing checks. The review should be evidenced by the reviewer's initials or signature and the date of review.

Response – One of the Co-Directors will sign supporting documentation on all checks.

Conclusion – Response accepted.

- (D) Time Sheets – Time sheets were not completed by employees.

Recommendation – Time sheets should be completed by employees. Time sheets should be approved and initialed by the employee and supervisor.

Response – Time sheets will be completed by hourly employees and approved by one of the Co-Directors.

Conclusion – Response acknowledged. However, salaried employees should also prepare time sheets to document hours worked, vacation used and sick leave used.

- (E) Payroll Returns – The amounts of wages reported on the Employer's Quarterly Federal Tax Return, Form 941, did not agree with the actual wages paid for the first two quarters of the fiscal year ended June 30, 2008.

Recommendation – The Agency should ensure all quarterly payroll tax returns are properly completed.

Response – The Agency will ensure quarterly payroll tax returns will be properly completed.

Conclusion – Response accepted.

- (F) Electronic Data Processing System – During our review of internal control, the existing control activities in the Agency's computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Agency's computer based systems were noted:

The Agency does not have written policies for:

- Use of the internet.
- A disaster recovery plan.

ADLM Counties Environmental Public Health Agency

Schedule of Findings

June 30, 2008

Recommendation – The Commission should develop written policies addressing the above items in order to improve the Agency’s internal control over computer based systems.

Response – The Commission will develop a written disaster recovery plan and include plans to annually review.

Conclusion – Response acknowledged. However, the Commission should also develop written policies for internet usage.

- (G) Personnel Policies – The Agency’s personnel policy states: “All annual vacation will be used during that calendar year unless authorized by the Co-Directors.” The Agency is not following the vacation policy in the Personnel Policy.

Recommendation – The Commission should follow its vacation policy or amend its personnel policies.

Response – ADLM will amend the vacation policy to reflect the Commission policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

ADLM Counties Environmental Public Health Agency

Schedule of Findings

June 30, 2008

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

- (1) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Commission Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Commission minutes but were not.

The Commission minutes are not authenticated by signature of the Commission Chair. Also, the minutes did not include the schedule of bills allowed and gross salaries required to be published in accordance with Chapter 28E.6(3) of the Code of Iowa.

Recommendation – The Commission minutes should be signed by the Commission Chair to authenticate the actions taken. Also, the Commission should ensure the minutes and their required components are published as required.

Response – The Commission minutes will be authenticated and signed in the future as well as schedule of bills allowed and gross salaries will be published.

Conclusion – Response accepted.

- (4) Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

The Commission has not approved a depository resolution for the Agency. In addition, the Commission has not adopted a written investment policy for the Agency as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Commission should approve a depository resolution for the Agency in amounts sufficient to cover anticipated balances. The Commission should also adopt a written investment policy for the Agency as required by Chapter 12B.10B of the Code of Iowa.

Response – The Commission approved a depository resolution in July 2008. The Commission has not yet approved an investment policy.

Conclusion – Response acknowledged. However, the Commission should also approve an investment policy.

ADLM Counties Environmental Public Health Agency

Schedule of Findings

June 30, 2008

- (5) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Agency to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Agency does not obtain an image of the front and back of each cancelled check as required.

Recommendation – The Agency should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The Commission complied with this recommendation on July 1, 2008.

Conclusion – Response accepted.

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ADLM Counties Environmental Public Health Agency

Staff

This audit was performed by:

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