



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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 Facilities Management Systems Commission.

The Commission had total receipts of \$768,003 for the year ended June 30, 2008, a 462 percent increase over 2007. The receipts included \$485,000 from a U.S. Department of Agriculture grant for a sewer project, \$175,000 in sewer revenue bond proceeds, \$75,000 in bond anticipation note proceeds, \$18,450 from a community development block grant for a sewer project and \$14,553 in other receipts.

Disbursements totaled \$812,802 for the year ended June 30, 2008, an 846 percent increase over 2007. The disbursements included \$627,945 for construction of the City of Plano sewer project, \$181,861 for bond anticipation note principal and interest payments and \$2,996 in other disbursements.

The significant increase in receipts is primarily due to a USDA grant and bond proceeds for the construction of a sewer project for the City of Plano. The significant increase in disbursements is primarily due to the construction of a sewer project for the City of Plano and the retiring of bond anticipation notes.

A copy of the audit report is available for review in the ADLM Facilities Management Systems Commission's 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>.

###



**ADLM FACILITIES MANAGEMENT SYSTEMS COMMISSION**

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

**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
Other Supplementary Information:	<u>Schedule</u>
Schedule of Expenditures of Federal Awards	1 19
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>	21-22
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	23-24
Schedule of Findings and Questioned Costs	25-30
Staff	31

## **ADLM Facilities Management Systems Commission**

### **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 Facilities Management Systems Commission**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Member Counties of the  
ADLM Facilities Management Systems Commission:

We have audited the accompanying financial statement of the ADLM Facilities Management Systems Commission as of and for the year ended June 30, 2008. This financial statement is the responsibility of the Commission'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.

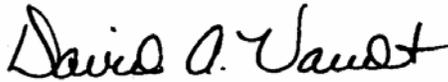
As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the ADLM Facilities Management Systems Commission 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 Facilities Management Systems Commission'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.

Our audit was conducted for the purpose of forming an opinion on the financial statement of the ADLM Facilities Management Systems Commission. The supplementary information included in Schedule 1 for 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 financial statement. Such information has been subjected to the auditing procedures applied in our audit of the financial statement and, in our opinion, is fairly stated in all material respects in relation to the financial statement taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 17, 2009

---

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

---

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

### **2008 FINANCIAL HIGHLIGHTS**

- ◆ The ADLM Facilities Management Systems Commission was formed in 2005 and did not have any operating receipts or disbursements in fiscal year 2007. There were approximately \$15,000 in operating receipts and approximately \$2,000 in operating disbursements during fiscal year 2008.
- ◆ Cash basis net assets decreased approximately \$45,000 from June 30, 2007 to June 30, 2008, primarily due to the completion of the City of Plano sewer project.

### **USING THIS ANNUAL REPORT**

The Commission 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 Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission'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.
- Other Supplementary Information in the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Commission.

## FINANCIAL ANALYSIS OF THE COMMISSION

### *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 Commission and the disbursements paid by the Commission, 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 Commission's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for fees for waste water billings and other general receipts. Operating disbursements are disbursements paid to operate the Commission. Non-operating receipts and disbursements are for state 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 2007 are presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2008	2007
Operating receipts:		
Waste water billings	\$ 5,095	-
Sales tax refunds	7,889	-
Miscellaneous	1,569	-
Total operating receipts	<u>14,553</u>	<u>-</u>
Operating disbursements:		
Waste water testing	1,380	-
Miscellaneous	300	-
Total operating disbursements	<u>1,680</u>	<u>-</u>
Excess of operating receipts over operating disbursements	<u>12,873</u>	<u>-</u>
Non-operating receipts (disbursements):		
Community development block grant for sewer project	18,450	36,750
USDA grant for sewer project	485,000	-
Bond anticipation note proceeds	75,000	100,000
Utilities system revenue bond proceeds	175,000	-
Bond anticipation note payments and closing fees	(181,861)	-
Sewer revenue bond principal and interest payments	(1,316)	-
Construction of the City of Plano sewer project	(627,945)	(85,949)
Net non-operating receipts (disbursements)	<u>(57,672)</u>	<u>50,801</u>
Net change in cash basis net assets	(44,799)	50,801
Cash basis net assets beginning of year	<u>50,801</u>	<u>-</u>
Cash basis net assets end of year	<u>\$ 6,002</u>	<u>50,801</u>
<b>Cash Basis Net Assets</b>		
Restricted for construction of City of Plano sewer project	\$ -	50,801
Unrestricted	<u>6,002</u>	<u>-</u>
Total	<u>\$ 6,002</u>	<u>50,801</u>

Cash basis net assets decreased approximately \$45,000 from June 30, 2007 to June 30, 2008, primarily due to the completion of the City of Plano sewer project.

### **LONG-TERM DEBT**

At June 30, 2008, the Commission had a utilities system revenue bond of approximately \$175,000 outstanding. Additional information about the Commission's bond indebtedness is presented in Note 6 to the financial statement.

### **ECONOMIC FACTORS**

The Commission completed its first sewer construction project in fiscal year 2008. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- ◆ Sewers 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 Commission anticipates the current fiscal year will be a transitional one as the Commission begins the first full year of waste water operations.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission'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 Facilities Management Systems Commission, P.O. Box 399, Moravia, Iowa 52571.

**ADLM Facilities Management Systems Commission**

**Financial Statement**

**Exhibit A**

---

## ADLM Facilities Management Systems Commission

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

Year ended June 30, 2008

Operating receipts:	
Waste water billings	\$ 5,095
Sales tax refunds	7,889
Miscellaneous	1,569
Total operating receipts	<u>14,553</u>
Operating disbursements:	
Waste water testing	1,380
Miscellaneous	300
Total operating disbursements	<u>1,680</u>
Excess of operating receipts over operating disbursements	<u>12,873</u>
Non-operating receipts (disbursements):	
Community development block grant for sewer project	18,450
USDA grant for sewer project	485,000
Bond anticipation note proceeds	75,000
Utilities system revenue bond proceeds	175,000
Bond anticipation note payments:	
Principal paid	(175,000)
Interest paid	(6,861)
Sewer revenue bond payments:	
Principal paid	(151)
Interest paid	(1,165)
Construction of the City of Plano sewer project	<u>(627,945)</u>
Net non-operating receipts (disbursements)	<u>(57,672)</u>
Net change in cash basis net assets	(44,799)
Cash basis net assets beginning of year	<u>50,801</u>
Cash basis net assets end of year	<u>\$ 6,002</u>
<b>Cash Basis Net Assets</b>	
Unrestricted	<u>\$ 6,002</u>

See notes to financial statement.

ADLM Facilities Management Systems Commission

Notes to Financial Statement

June 30, 2008

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

The ADLM Facilities Management Systems Commission was formed in 2005 pursuant to Chapter 28E of the Code of Iowa for the purpose of planning, designing, developing, financing, constructing, owning, operating and maintaining essential facilities and services including, but not limited to, wastewater treatment systems and water systems for and on behalf of the counties, cities and unincorporated areas within the member counties.

The governing body of the Commission is composed of one representative from each member county. The members of the Commission include Appanoose, Davis, Lucas and Monroe counties. Each member county has one vote. The co-directors of the ADLM Counties Environmental Public Health Agency provide services for the Commission.

A. Reporting Entity

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

B. Basis of Presentation

The accounts of the Commission 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 Facilities Management Systems Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission 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 Commission in accordance with U.S. generally accepted accounting principles.

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

The Commission'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 Commission 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 Commission; 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 Commission 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 Commission 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 Commission is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. Since the Commission did not have any IPERS covered wages, the Commission did not make a contribution to IPERS for the year ended June 30, 2008.

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

The Commission 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 Commission 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) Sewer Revenue Bond Anticipation Note**

On May 22, 2007, the Commission entered into a sewer revenue bond anticipation note with US Bank, N.A. for a maximum of \$175,000 to finance a portion of the costs to construct a sewer system for the City of Plano. 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 Commission received advances of \$75,000 and paid principal and interest of \$181,861 to retire the note.

**(6) Utilities System Revenue Bond**

On May 1, 2008, the Commission entered into a utilities system revenue bond with the U.S. Department of Agriculture for \$175,000, to finance a portion of the costs to construct plants and systems necessary for sanitary sewer services and waste water collection, including the collection, treatment and disposal of sewage and liquid waste for the City of Plano, including the refunding of the sewer revenue bond anticipation note. Interest on the bond, at 4.5% per annum, is payable on July 1 in each of the years 2008 and 2009. Thereafter, both principal and interest on the bond are payable in equal monthly installments of \$804 on August 1, 2009 and monthly thereafter until the principal and interest are fully paid, except the final installment of the entire balance of principal and interest will become due and payable on January 2, 2048. During the year ended June 30, 2008, the Commission paid bond principal and interest of \$1,316. The bond has an outstanding balance of \$174,849 as of June 30, 2008 and is due as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ -	7,868	7,868
2010	1,505	7,815	9,320
2011	1,886	7,762	9,648
2012	1,973	7,675	9,648
2013	2,063	7,585	9,648
2014 - 2018	11,839	36,412	48,251
2019 - 2023	14,808	33,431	48,239
2024 - 2028	18,536	29,704	48,240
2029 - 2033	23,203	25,037	48,240
2034 - 2038	29,045	19,195	48,240
2039 - 2043	36,359	11,881	48,240
2044	33,632	2,901	36,533
Total	\$ 174,849	197,266	372,115

**ADLM Facilities Management Systems Commission**

**Other Supplementary Information**

**ADLM Facilities Management Systems Commission**

## ADLM Facilities Management Systems Commission

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 602,004
Indirect:			
U.S. Department of Housing and Urban Development:			
City of Plano:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	06-WS-080-04	27,097
Total			\$ 629,101

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the ADLM Facilities Management Systems Commission and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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.

**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**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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 Facilities Management Systems Commission:

We have audited the accompanying financial statement of the ADLM Facilities Management Systems Commission 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 Facilities Management Systems Commission'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 Facilities Management Systems Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ADLM Facilities Management Systems Commission'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 Commission'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 Commission's financial statement that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs 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 Commission'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 II-A-08 and II-B-08 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ADLM Facilities Management Systems Commission'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 and Questioned Costs.

Comments involving statutory and other legal matters about the Commission'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 Commission. 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 Facilities Management Systems Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Commission's responses, we did not audit the ADLM Facilities Management Systems Commission'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 Facilities Management Systems Commission and other parties to whom the Commission 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 the ADLM Facilities Management Systems Commission 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



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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 Member Counties of the  
ADLM Facilities Management Systems Commission:

Compliance

We have audited the compliance of the ADLM Facilities Management Systems Commission with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The ADLM Facilities Management Systems Commission's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the ADLM Facilities Management Systems Commission's management. Our responsibility is to express an opinion on the ADLM Facilities Management Systems Commission'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 the ADLM Facilities Management Systems Commission'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 the ADLM Facilities Management Systems Commission's compliance with those requirements.

In our opinion, the ADLM Facilities Management Systems Commission complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the ADLM Facilities Management Systems Commission 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 the ADLM Facilities Management Systems Commission'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the ADLM Facilities Management Systems Commission's internal control over compliance.

A control deficiency in the Commission's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the Commission's internal control.

Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the ADLM Facilities Management Systems Commission and other parties to whom the ADLM Facilities Management Systems Commission 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

April 17, 2009

ADLM Facilities Management Systems Commission

Schedule of Findings and Questioned Costs

June 30, 2008

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

- (a) An unqualified opinion was issued on the financial statement which was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) ADLM Facilities Management Systems Commission did not qualify as a low-risk auditee.

ADLM Facilities Management Systems Commission

Schedule of Findings and Questioned Costs

June 30, 2008

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

**SIGNIFICANT DEFICIENCIES:**

II-A-08 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 Commission'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 Commission 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.

II-B-08 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 Facilities Management Systems Commission

Schedule of Findings and Questioned Costs

June 30, 2008

II-C-08 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.

II-D-08 Electronic Data Processing System – During our review of internal control, the existing control activities in the Commission’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 Commission’s computer based systems were noted:

The Commission does not have written policies for:

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

Recommendation – The Commission should develop written policies addressing the above items in order to improve the Commission’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.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

ADLM Facilities Management Systems Commission

Schedule of Findings and Questioned Costs

June 30, 2008

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

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

ADLM Facilities Management Systems Commission

Schedule of Findings and Questioned Costs

June 30, 2008

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

IV-A-08 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.

IV-B-08 Travel Expense – No disbursements of Commission money for travel expenses of spouses of Agency officials or employees were noted.

IV-C-08 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. The schedule of bills allowed and gross salaries will be published as well.

Conclusion – Response accepted.

IV-D-08 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. In addition, the Commission has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Commission should approve a depository resolution in amounts sufficient to cover anticipated balances. The Commission should also adopt a written investment policy 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 Facilities Management Systems Commission

Schedule of Findings and Questioned Costs

June 30, 2008

IV-E-08 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Commission 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 Commission does not obtain an image of the front and back of each cancelled check as required.

Recommendation – The Commission 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.

---

ADLM Facilities Management Systems Commission

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
James R. Wittenwyler, Staff Auditor  
Samantha J. Brincks, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State