



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

August 10, 2012

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Chariton Valley Planning & Development Council of Governments in Centerville, Iowa.

The Council's operating revenues totaled \$241,505, \$312,025, \$464,489 and \$732,146 for the years ended June 30, 2011, 2010, 2009 and 2008, respectively.

The Council's operating expenses totaled \$253,257, \$296,258, \$488,727 and \$756,901 for the years ended June 30, 2011, 2010, 2009 and 2008, respectively. Interest expense was \$17,955, \$22,844, \$16,172 and \$12,773 for the years ended June 30, 2011, 2010, 2009 and 2008, respectively.

A copy of the audit report is available for review in the office of the Chariton Valley Planning & Development Council of Governments, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1114-0026-B00F.pdf>.

###

**CHARITON VALLEY PLANNING & DEVELOPMENT
COUNCIL OF GOVERNMENTS**

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

JUNE 30, 2011, 2010, 2009 and 2008

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Basic Financial Statements:	<u>Exhibit</u>	
Statement of Net Assets (Deficit)	A	7
Statement of Revenues, Expenses and Changes in Net Assets (Deficit)	B	8
Statement of Cash Flows	C	9
Notes to Financial Statements		10-14
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Expenditures of Federal Awards	1	17
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 <u>Government Auditing Standards</u>		19-20
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		23-24
Schedule of Findings and Questioned Costs		25-37
Staff		38

**Chariton Valley Planning & Development
Council of Governments**

Officials

Name

Title

**Executive Board of Directors
(At June 30, 2008)**

Dean Kaster, Chairperson	Appanoose County
Larry Davis, Vice Chair	Lucas County
Dennis Ryan, Treasurer	Monroe County
Jerry O'Dell	Wayne County
Tracy Daugherty	Executive Director

(At June 30, 2009)

Dean Kaster, Chairperson	Appanoose County
Larry Davis, Vice Chair	Lucas County
John Hamilton *	Lucas County
Dennis Ryan, Treasurer	Monroe County
Jerry O'Dell	Wayne County
Tracy Daugherty	Executive Director

(At June 30, 2010)

Dean Kaster, Chairperson	Appanoose County
Larry Davis, Vice Chair	Lucas County
John Hamilton *	Lucas County
Dennis Ryan, Treasurer	Monroe County
Jerry O'Dell	Wayne County
Tracy Daugherty	Executive Director

(At June 30, 2011)

Dean Kaster, Chairperson	Appanoose County
Larry Davis, Vice Chair	Lucas County
John Hamilton *	Lucas County
Dennis Ryan, Treasurer	Monroe County
Bill Alley	Wayne County
Tracy Daugherty	Executive Director (resigned August 25, 2010)
Nichole Moore	Executive Director (appointed August 25, 2010)

* The Council added a member designated as financial advisor. This position is not authorized in the articles of agreement.

**Chariton Valley Planning & Development
Council of Governments**



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 Board of Directors of the Chariton Valley
Planning & Development Council of Governments:

We have audited the accompanying basic financial statements of the Chariton Valley Planning & Development Council of Governments, Centerville, Iowa, as of and for the years ended June 30, 2011, 2010, 2009 and 2008 listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

As more fully described in Notes 6 and 7 to the financial statements, a special investigation of the Chariton Valley Planning & Development Council of Governments performed by the Office of Auditor of State for the period July 1, 2007 through August 31, 2010 identified \$101,789 of disbursements which were an unallowable use of federal funds.

In our opinion, except for the effects of the disbursements for unallowable uses described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Chariton Valley Planning & Development Council of Governments at June 30, 2011, 2010, 2009 and 2008, and the respective changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Chariton Valley Planning & Development Council of Governments 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.

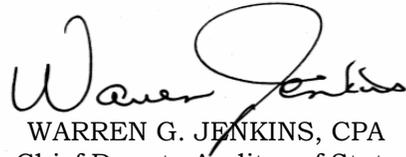
The Council's deficit net asset balance was \$37,528 at June 30, 2008, increased to \$77,938 at June 30, 2009, increased to \$85,015 at June 30, 2010 and decreased to \$83,136 at June 30, 2011. In addition, the balances for operating loans and lines of credit increased over the three year period ended June 30, 2010 and decreased for the year ended June 30, 2011.

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2012 on our consideration of the Chariton Valley Planning & Development Council of Governments' 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 financing 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chariton Valley Planning & Development Council of Governments' basic financial statements. Other supplementary information included in Schedule 1, 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, is 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

June 21, 2012

Chariton Valley Planning & Development
Council of Governments

Statement of Net Assets (Deficit)

June 30, 2011, 2010, 2009 and 2008

	June 30,			
	2011	2010	2009	2008
Assets				
Cash	\$ 3,088	27,321	23,987	147
Accounts receivable	161,843	256,587	190,292	117,468
Land held for resale	-	56,000	56,000	56,000
Total assets	164,931	339,908	270,279	173,615
Liabilities				
Accounts payable	12,190	10,799	69,011	26,107
Accrued interest payable	3,929	8,838	8,475	4,300
Loans payable	224,140	390,122	249,978	166,047
Compensated absences	7,808	15,164	20,753	14,689
Total liabilities	248,067	424,923	348,217	211,143
Net assets (deficit) - unrestricted	\$ (83,136)	(85,015)	(77,938)	(37,528)

See notes to financial statements.

Exhibit BChariton Valley Planning & Development
Council of GovernmentsStatement of Revenues, Expenses and
Changes in Net Assets (Deficit)

Years ended June 30, 2011, 2010, 2009 and 2008

	Year ended June 30,			
	2011	2010	2009	2008
Operating revenues:				
Intergovernmental	\$ 231,430	302,394	433,034	670,535
Membership dues	5,000	-	-	-
Donations	5,000	9,500	31,455	61,301
Miscellaneous	75	131	-	310
Total operating revenues	241,505	312,025	464,489	732,146
Operating expenses:				
Salaries and benefits	107,773	230,858	262,207	138,728
Travel	4,333	5,451	12,862	7,769
Meetings	925	1,454	5,749	8,166
Legal, accounting and auditing	39,833	2,259	7,223	6,599
Insurance	3,128	4,390	3,357	3,205
Office equipment and supplies	23,701	20,467	23,609	45,791
Dues and subscriptions	2,751	2,900	4,101	1,159
Program expenses:				
Historic Hills	-	-	14,619	457,311
Jump Start	-	-	86,189	-
Other	50,940	7,623	47,480	70,457
Professional services	3,639	1,985	1,587	1,834
Rent	8,000	10,400	10,800	6,150
Utilities	6,169	6,181	6,885	4,816
Miscellaneous	2,065	2,290	2,059	4,916
Total operating expenses	253,257	296,258	488,727	756,901
Operating income (loss)	(11,752)	15,767	(24,238)	(24,755)
Non-operating revenues (expenses):				
Gain on sale of land held for resale	31,586	-	-	-
Interest expense	(17,955)	(22,844)	(16,172)	(12,773)
Net non-operating revenues (expenses)	13,631	(22,844)	(16,172)	(12,773)
Change in net assets	1,879	(7,077)	(40,410)	(37,528)
Net assets (deficit) beginning of year	(85,015)	(77,938)	(37,528)	-
Net assets (deficit) end of year	\$ (83,136)	(85,015)	(77,938)	(37,528)

See notes to financial statements.

Chariton Valley Planning & Development
Council of Governments

Statement of Cash Flows

Years ended June 30, 2011, 2010, 2009 and 2008

	Year ended June 30,			
	2011	2010	2009	2008
Cash flows from operating activities:				
Cash received for grants for specific activities	\$336,174	245,599	391,665	540,567
Cash received for other purposes	75	131	-	74,111
Cash paid to employees	(116,200)	(237,142)	(251,560)	(121,549)
Cash paid to vendors and suppliers	(143,022)	(122,917)	(188,199)	(594,556)
Net cash provided (used) by operating activities	77,027	(114,329)	(48,094)	(101,427)
Cash flows from capital financing activities:				
Proceeds from sale of asset held for resale	87,586	-	-	-
Proceeds from debt	42,500	140,157	135,500	365,000
Principal paid on debt	(208,482)	(13)	(51,569)	(254,953)
Interest paid on debt	(22,864)	(22,481)	(11,997)	(8,473)
Net cash provided (used) for capital financing activities	(101,260)	117,663	71,934	101,574
Net increase (decrease) in cash and cash equivalents	(24,233)	3,334	23,840	147
Cash and cash equivalents beginning of year	27,321	23,987	147	-
Cash and cash equivalents end of year	\$ 3,088	27,321	23,987	147
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (11,752)	15,767	(24,238)	(24,755)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
(Increase) decrease in accounts receivable	94,744	(66,295)	(72,824)	(117,468)
Increase (decrease) in accounts payable	1,391	(58,212)	42,904	26,107
Increase (decrease) in compensated absences	(7,356)	(5,589)	6,064	14,689
Total adjustments	88,779	(130,096)	(23,856)	(76,672)
Net cash provided (used) by operating activities	\$ 77,027	(114,329)	(48,094)	(101,427)

See notes to financial statements.

Chariton Valley Planning & Development
Council of Governments

Notes to Financial Statements

June 30, 2011, 2010, 2009 and 2008

(1) Summary of Significant Accounting Policies

The Chariton Valley Planning & Development Council of Governments (Council) is a council of governments formed July 1, 2007, pursuant to the provisions of Chapter 28E and Chapter 28H of the Code of Iowa. The Council's area of jurisdiction includes Appanoose, Lucas, Monroe and Wayne Counties.

The member County Boards of Supervisors appoint one supervisor from each county to serve on the Executive Board of Directors. During the year ended June 30, 2009, the Council added a member designated as financial advisor, a position not authorized by the articles of agreement.

The Council's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

For financial reporting purposes, the Chariton Valley Planning & Development Council of Governments has included all funds, organizations, boards, commissions and authorities. It 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 Council are such that exclusion would cause Council's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Council 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 Council. The Chariton Valley Planning & Development Council of Governments has no component units which meet the Governmental Accounting Standards Board criteria.

B. Financial Statement Presentation

The accounts of the Council are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C Measurement Focus and Basis of Accounting

The 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 met.

The Council applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Council distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Council's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets.

Cash and Cash Equivalents – The Council considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months.

Compensated Absences – Council employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. These liabilities have been computed based on rates of pay in effect at June 30, 2011, 2010, 2009 and 2008, respectively.

(2) Cash and Investments

The Council's deposits at June 30, 2011, 2010, 2009 and 2008, respectively, 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.

At June 30, 2011, 2010, 2009 and 2008, the Council had no investments subject to the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Changes in Debt

A summary of changes in debt for the years ended June 30, 2011, 2010, 2009 and 2008 is as follows:

		Year Ended June 30, 2008			
Obligation	Date	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Real estate mortgage	December 29, 2006	\$ 56,000	-	-	56,000
Line of credit	July 2, 2007	-	200,000	159,953	40,047
Operating loan	July 2, 2007	-	50,000	-	50,000
Operating loan	January 25, 2008	-	95,000	95,000	-
Operating loan	May 13, 2008	-	20,000	-	20,000
Total		\$ 56,000	365,000	254,953	166,047

		Year Ended June 30, 2009			
Obligation	Date	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Real estate mortgage	December 29, 2006	\$ 56,000	-	-	56,000
Line of credit	July 2, 2007	40,047	30,500	10,691	59,856
Operating loan	July 2, 2007	50,000	-	878	49,122
Operating loan	May 13, 2008	20,000	-	20,000	-
Operating loan	June 26, 2008	-	20,000	20,000	-
Operating loan	December 12, 2008	-	50,000	-	50,000
Line of credit	March 26, 2009	-	35,000	-	35,000
Total		\$ 166,047	135,500	51,569	249,978

		Year Ended June 30, 2010			
Obligation	Date	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Real estate mortgage	December 29, 2006	\$ 56,000	-	-	56,000
Line of credit	July 2, 2007	59,856	140,157	13	200,000
Operating loan	July 2, 2007	49,122	-	-	49,122
Operating loan	December 12, 2008	50,000	-	-	50,000
Line of credit	March 26, 2009	35,000	-	-	35,000
Total		\$ 249,978	140,157	13	390,122

		Year Ended June 30, 2011			
Obligation	Date	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Real estate mortgage	December 29, 2006	\$ 56,000	-	56,000	-
Line of credit	July 2, 2007	200,000	-	10,294	189,706
Operating loan	July 2, 2007	49,122	4,000	53,122	-
Operating loan	December 12, 2008	50,000	-	50,000	-
Line of credit	March 26, 2009	35,000	38,500	39,066	34,434
Total		\$ 390,122	42,500	208,482	224,140

On December 29, 2006, the Council's predecessor entered into a real estate mortgage with First Iowa State Bank for \$56,000, with interest at 7.0% per annum, to purchase land for resale. The mortgage was originally to mature on January 3, 2007. However, the entity for which the land was purchased did not receive an anticipated grant and was not able to purchase the land. Each year, the mortgage maturity was extended until the land was sold. The mortgage loan was paid in full on March 8, 2011.

On July 2, 2007, the Council entered into a promissory note with First Iowa State Bank for a line of credit not to exceed \$200,000, with interest at 7.125% per annum on the unpaid balance. The line of credit originally matured on January 30, 2008, but was extended several times to the current maturity date of July 31, 2012.

On July 2, 2007, the Council entered into a promissory note with First Iowa State Bank for an operating loan of \$50,000, with interest at 7.125% per annum on the unpaid balance. The loan originally matured on July 2, 2008, but was extended until the note was paid in full on August 11, 2010.

On January 25, 2008, the Council entered into a promissory note with First Iowa State Bank for an operating loan for \$95,000, with interest at 7.125% per annum. The loan was paid in full in March 2008.

On May 13, 2008, the Council entered into a promissory note with First Iowa State Bank for an operating loan for \$20,000, with interest at 7.125% per annum on the unpaid balance. The loan originally matured on November 13, 2008, but was extended until the note was paid in full in March 2009.

On June 26, 2008, the Council entered into a promissory note with First Iowa State Bank for an operating loan for \$20,000, with interest at 7.125% per annum on the unpaid balance. Proceeds were received on July 1, 2008. The loan originally matured on December 31, 2008, but was extended until the note was paid in full in February 2009.

On December 12, 2008 the Council entered into a promissory note with First Iowa State Bank for an operating loan for \$50,000, with interest at 7.125% per annum on the unpaid balance. The loan originally matured on September 30, 2009, but was extended until the note was paid in full on August 23, 2010.

On March 26, 2009, the Council entered into a promissory note with First Iowa State Bank for a line of credit for \$35,000, with interest at 7.125% per annum on the unpaid balance. The line of credit originally matured on October 31, 2009, but was extended to July 31, 2012.

(4) Iowa Public Employees Retirement System (IPERS)

The Council 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.

For the year ended June 30, 2011, plan members were required to contribute 4.50% of their annual covered salary and the Council was required to contribute 6.95% of covered payroll. For the year ended June 30, 2010, plan members were required to contribute 4.30% of their annual covered salary and the Council was required to contribute 6.65% of covered payroll. For the year ended June 30, 2009, plan members were required to contribute 4.10% of their annual covered salary and the Council was required to contribute 6.35% of covered payroll. For the year ended June 30, 2008, plan members were required to contribute 3.90% of their annual covered salary and the Council was required to contribute 6.05% of covered payroll. Contribution requirements are established by state statute. The Council's contributions to IPERS for the years ended June 30, 2011, 2010, 2009 and 2008 were \$6,212, \$12,401, \$11,793 and \$7,029, respectively, equal to the required contributions for each year.

(5) Risk Pool

The Council 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Council assumes liability for any deductibles and claims in excess of coverage limits.

(6) Special Investigation

The Office of Auditor of State performed a special investigation of the Council as a result of concerns identified by a grantor agency. The Auditor of State's special investigation report dated February 7, 2012 identified \$101,789 of disbursements which were an unallowable use of federal funds for programs administered by the Council. Less than \$5,000 of these unallowable disbursements were charged against the major federal program for the year ended June 30, 2008.

Copies of the Auditor of State's special investigation report were filed with the Iowa Economic Development Authority, the U.S. Department of Commerce - Economic Development Administration and the Attorney General's Office.

(7) Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. As noted above, a special investigation identified \$101,789 of disbursements which were an unallowable use of federal funds for programs administered by the Council. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time.

Supplementary Information

**Chariton Valley Planning & Development
Council of Governments**

Chariton Valley Planning & Development
Council of Governments

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-ES-E-PA17(003)-8T-00	\$ 387,254
Highway Planning and Construction	20.205	#08RPA-17	95,885
Highway Planning and Construction	20.205	STP-E-PA17(601)-8V-00	11,208
			494,347
Formula Grants for Other Than Urbanized Areas	20.509	#08RPA-17	21,289
Total			\$ 515,636

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Chariton Valley Planning & Development Council of Governments and is presented on the accrual basis of accounting. The information in 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.

**Chariton Valley Planning & Development
Council of Governments**



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 Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Directors of the Chariton Valley
Planning & Development Council of Governments:

We have audited the financial statements of the Chariton Valley Planning & Development Council of Governments, as of and for the years ended June 30, 2011, 2010, 2009 and 2008, and have issued our report thereon dated June 21, 2012. 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

Management of the Chariton Valley Planning & Development Council of Governments is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Chariton Valley Planning & Development Council of Governments' internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Chariton Valley Planning & Development Council of Governments' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 through II-H-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-I-11 through II-O-11 to be significant deficiencies.

Compliance

As part of obtaining reasonable assurance about whether the Chariton Valley Planning & Development Council of Governments' 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 which is required to be reported under Government Auditing Standards and is described in Part II of the accompanying Schedule of Findings and Questioned Costs. We also noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Chariton Valley Planning & Development Council of Governments' operations for the years ended June 30, 2011, 2010, 2009 and 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Chariton Valley Planning & Development Council of Governments. 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 Chariton Valley Planning & Development Council of Governments' 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 Council's responses, we did not audit the Chariton Valley Planning & Development Council of Governments' 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 members, officials, employees and constituents of the Chariton Valley Planning & Development Council of Governments and other parties to whom the Chariton Valley Planning & Development Council of Governments may report, including federal awarding agencies and pass-through entities, and 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 Chariton Valley Planning & Development Council of Governments 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

June 21, 2012

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

**Chariton Valley Planning & Development
Council of Governments**



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 That Could Have a Direct Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Board of Directors of the Chariton Valley
Planning & Development Council of Governments:

Compliance

We have audited the Chariton Valley Planning & Development Council of Governments' compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2008. The Council'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 Council's management. Our responsibility is to express an opinion on the Chariton Valley Planning & Development Council of Governments' 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 Chariton Valley Planning & Development Council of Governments' 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 Chariton Valley Planning & Development Council of Governments' compliance with those requirements.

In our opinion, the Chariton Valley Planning & Development Council of Governments 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. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-11 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of the Chariton Valley Planning & Development Council of Governments 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 Chariton Valley Planning & Development Council of Governments' 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, 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 Chariton Valley Planning & Development Council of Governments' internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance which might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in the Council's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-B-11 and III-C-11 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-D-11 to be a significant deficiency.

The Chariton Valley Planning & Development Council of Governments' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Council's responses, we did not audit the Chariton Valley Planning & Development Council of Governments' 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 members, officials, employees and constituents of the Chariton Valley Planning & Development Council of Governments and other parties to whom the Chariton Valley Planning & Development Council of Governments may report, including federal awarding agencies and pass-through entities, and 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

June 21, 2012

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

- (a) Qualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit disclosed non-compliance which is material to the financial statements.
- (d) A significant deficiency and material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the 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) The major program for the year ended June 30, 2008 was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Chariton Valley Planning & Development Council of Governments did not qualify as a low-risk auditee.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Years ended June 30, 2011, 2010, 2009 and 2008

Part II: Findings Related to the Financial Statements:

INSTANCE OF NON-COMPLIANCE:

A special report dated February 7, 2012 covering the period July 1, 2007 through August 31, 2010 identified \$101,789 of disbursements which were an unallowable use of federal funds.

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check of those of another. One person has control over each of the following areas for the Council:

- (1) Cash – handling, reconciling and recording.
- (2) Revenue – opening mail, collecting, depositing, posting, maintaining receivable records and reconciling revenues. An initial listing of mail receipts is prepared, but the listing is not compared to accounting records by an independent person.
- (3) Expenses - purchasing, approval, check writing and signing and control over the credit card.
- (4) Payroll – record keeping, preparation, distribution, entering time sheet information and rates into the system and approval of wire transfers for payroll taxes, FICA and IPERS.
- (5) Debt – record keeping, drawing funds from the lines of credit and debt payment processing.
- (6) Computer system – performing all general accounting functions, journal entries and controlling all data and output.
- (7) The Executive Director’s travel claims were not reviewed by an independent person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Council should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board members. The initial listing of mail receipts should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Years ended June 30, 2011, 2010, 2009 and 2008

Response – Monthly bank reconciliations have been prepared by an outside accounting firm and reviewed by the Board Treasurer monthly since July 1, 2011. The Board of Directors is now approving all expenses at the monthly meetings as well as outsourcing the accounting to a local accounting firm. The firm inputs all data into Quickbooks, prints checks and prepares the bank reconciliation. They also file all payroll tax returns.

Conclusion – Response accepted.

- II-B-11 Monthly Bank to Book Reconciliations – During the year ended June 30, 2011, the Council prepared monthly reconciliations of the Council's balances to the bank accounts. However, the reconciliations were not reviewed and approved by an independent person. Monthly reconciliations of the Council's balances to the bank accounts were not prepared during the years ended June 30, 2010, 2009 and 2008.

Recommendation – To improve financial accountability and control, the book balances should be reconciled monthly to the bank and cash balances. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained. These reconciliations should be reviewed by an independent person.

Response – Bank reconciliations have been prepared by a local accounting firm and reviewed by the Board Treasurer monthly since July 1, 2011. The Board of Directors will continue to have the Board Treasurer review and approve all monthly bank reconciliations.

Conclusion – Response accepted.

- II-C-11 Reconciliation of Billings, Collections and Delinquent Accounts – Billings, collections and delinquent accounts were not reconciled during the years ended June 30, 2011, 2010, 2009 and 2008. An aging of receivables was not prepared or reviewed for delinquent receivables. No procedures exist to reconcile amounts collected to the records of billings/remittances. The Council has not adopted a policy for write-offs of receivables.

Recommendation – Policies and procedures should be established to reconcile billings, collections and delinquent accounts and to determine any receivable write-offs necessary. The Board or a Board-designated independent person should review the reconciliations and monitor delinquent accounts.

Response – The Board of Directors will review all delinquent accounts at least quarterly and will obtain final Board approval at the end of each fiscal year for write-offs, per the policy implemented July 1, 2011.

Conclusion – Response accepted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Years ended June 30, 2011, 2010, 2009 and 2008

II-D-11 Financial Reporting – During the audit, we identified material amounts of receivables and payables which were incorrectly recorded for the years ended June 30, 2011, 2010, 2009 and 2008. In addition, material amounts of revenues were coded as reductions of expenses. Adjustments were subsequently made by the Council to properly report the amounts in the Council’s financial statements.

Recommendation – The Council should develop policies and procedures to ensure receivables, payables, revenues and expenses are properly recorded in the Council’s financial statements.

Response – The Board of Directors has approved moving from an accrual accounting basis to a cash basis effective for fiscal year 2012. This decision occurred on July 1, 2011. In addition, the Board of Directors has discussed the need to properly reflect the full amount of revenues and expenses in all financial statements with the assistance of the local accounting firm. All individual payables and receivables are approved monthly by the Board of Directors and documented in the monthly meetings minutes.

Conclusion – Response accepted.

II-E-11 State Warrant – A state warrant dated August 10, 2010 for \$83,804 was not recorded in the Council’s books. The state warrant was taken to the bank and applied directly against the Council’s outstanding loan balances. The receipt of the receivable and the debt payments were not initially recorded in the Council’s books. This was adjusted for audit purposes.

Recommendation – The Council should develop policies and procedures to ensure all revenues received are deposited in the Council’s bank account and revenues and expenses are properly recorded in the Council’s financial statements, rather than netted.

Response – All revenue received by the Council will be deposited at the approved financial institution and recorded in the financial statements, per the new Board policy regarding deposits which was implemented on July 1, 2011.

Conclusion – Response accepted.

II-F-11 Payroll – As noted in the special investigation report dated February 7, 2012, the Executive Director’s salary was increased during the years ended June 30, 2009 and 2008 without Board approval. There are no established policies and procedures for maintaining documentation, including employment agreements, establishing an employee’s salary increases.

Recommendation – The Council should develop policies and procedures to authorize all employment agreements and salary increases and maintain this authorization in written personnel files.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Years ended June 30, 2011, 2010, 2009 and 2008

Response – Due to the Board of Directors’ concerns regarding the Executive Director’s performance, her resignation was tendered August 25, 2010. Thereafter, a revised policy concerning salary increases was implemented on June 23, 2011. In addition, all wage and salary decisions are made solely by the Board of Directors.

Conclusion – Response accepted.

II-G-11 Payroll Rates – During the year ended June 30, 2011, the Board approved a pay adjustment of \$1,000 to each employee to be split equally over the three month period from October 2010 through December 2010. The accounting firm handling payroll increased the hourly pay rate of both employees to reflect this temporary wage adjustment. However, at the end of the three month period, the hourly pay rates were not reduced to the prior amounts, resulting in an overpayment to both employees. This oversight was not identified until November 2011.

Recommendation – The Council should consult legal counsel regarding disposition of this matter, including consideration of whether the overpayments should be repaid.

Response – The Board of Directors chose to forgive the overpayment of salaries and not request repayment. Official documentation will also be provided to the accounting firm verifying Board approval of any pay adjustments.

Conclusion – Response accepted.

II-H-11 Written Accounting Procedures Manual – We encourage the development of an office procedures and standardized accounting manual for the Council’s financial accounting system. This written manual should provide the following benefits.

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure Council accounts are appropriately utilized.

Recommendation – A written office procedures and standardized accounting manual should be prepared.

Response – Preparation of a Board of Directors manual which includes policy and procedure information is ongoing with an anticipated finalization date of July 1, 2012. The manual will include the standard accounting procedure, identify program classifications and coding and guidance for the Board of Directors.

Conclusion – Response accepted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Years ended June 30, 2011, 2010, 2009 and 2008

II-I-11 Expenses – Checks were not written in sequential order and duplicate check numbers were listed in the check register. Voided checks were not always maintained for inspection. In addition, many disbursements tested did not include adequate supporting documentation.

Recommendation – The numerical sequential of checks should be monitored and voided checks should be maintained for inspection. Supporting documentation should be retained for all Council expenses.

Response – The Council ordered new sequential checks which are now stored off-site at the local accounting office. The checks are used in sequential order and voided checks are retained for record keeping purposes.

Conclusion – Response accepted.

II-J-11 Credit Cards – The Council has credit cards for use by various employees while on Council business. The Council has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Recommendation – The Council should adopt a formal written policy regulating the use of Council credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – A credit card policy implemented November, 2011 sets the card limit at \$1,500 for all purchases. The Executive Director has authority to utilize the credit card for purchases under \$500 without Board of Director approval. All other purchases require Board of Director approval.

Conclusion – Response accepted.

II-K-11 Payroll – During the year ended June 30, 2010, the Executive Director approved a payout of four weeks of pay in the gross amount of \$2,923 to a former employee. The Council did not have any policies on payouts/severance packages to employees, including Board approval of this type of payment.

Recommendation – The Council should develop policies and procedures on whether these type of payments will be allowed. If they are allowed, the policies should include requiring Board of Directors approval and maintaining this authorization in the personnel files.

Response – The Board of Directors adopted a policy on June 23, 2011 regarding resignations which allows employees to be compensated for accrued wages, earned vacation time and holiday time through the last day of employment.

Conclusion – Response accepted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Years ended June 30, 2011, 2010, 2009 and 2008

II-L-11 Computer Systems – During our review of internal control, the existing control activities in the Council’s computer 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 Council’s computer systems were noted:

The Council does not have written policies for:

- requiring use of passwords and requiring passwords be changed at least every 60 to 90 days because the Council’s software does not require the user to periodically change log-ins/passwords.
- maintaining password privacy and confidentiality.
- ensuring only software licensed to the Council is installed on computers.
- usage of the internet.
- personal use of computer equipment and software.

Also, the Council does not have a written disaster recovery plan.

Recommendation – The Council should develop written policies addressing the above items in order to improve the Council’s control over computer systems. A written disaster recovery plan should be developed.

Response – The Board of Directors adopted a policy regarding computer privacy on June 23, 2011 which addresses password privacy for all staff and Board members. A policy regarding disaster recovery was adopted in March 2012. In addition, a copy of the Quickbooks backup is located off-site with the accountant and computer back-ups are done individually on a monthly basis. A fire proof safe was purchased by the Council in March 2012, and is currently utilized for retaining back-up materials.

Conclusion – Response accepted.

II-M-11 Financial Reports – Financial reports were not routinely provided to the Council for approval for the years ended June 30, 2010, 2009 and 2008 and July and August of the year ended June 30, 2011.

Recommendation – The Council should develop policies and procedures to ensure financial reports are consistently received, reviewed and approved at Board meetings.

Response – At each monthly Board of Director meeting the Board is now provided a complete financial report for the prior month for review and approval.

Conclusion – Response accepted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Years ended June 30, 2011, 2010, 2009 and 2008

II-N-11 Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. Drawdowns for the Federal Highway Administration Corridor Management grant were requested before the disbursements were made. No support was available to identify the disbursements included in the related drawdown request.

Recommendation – The Council should ensure federal funds drawn are properly supported and are in amounts sufficient to cover current needs.

Response – The Council voluntarily requested removal from this program. In addition, procedures for effective cash management have been adopted and implemented by the Board of Directors.

Conclusion – Response accepted.

II-O-11 Cost Allocation Plan – The Council did not have an approved current cost allocation plan. In addition, records did not exist to document how costs, if any, were allocated among the various federal programs.

Recommendation – The Council should adopt a current cost allocation plan and utilize the plan to allocate costs among its federal programs. This plan should be reviewed and approved annually.

Response – The fiscal year 2012 cost allocation plan was reviewed and accepted by the Iowa Department of Transportation (IDOT) for planning services in June 2011. IDOT is changing the cost allocation plan requirements and a submission of a new cost allocation plan following the new regulations for fiscal year 2013 will be completed by June 2012.

Conclusion – Response accepted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

**CFDA Number 20.205: Highway Planning and Construction
Federal Award Year: 2008
U.S. Department of Transportation
Passed through the Iowa Department of Transportation**

III-A-08 Reimbursement Request Reports – The Council prepared claims for reimbursement of project cost reports. The reports identify expenses incurred on the project, the amount of in-kind match provided and the amount of reimbursement requested. For the year ended June 30, 2008, the Iowa Department of Transportation reimbursed the Council \$13,800 for an in-kind match on the Historic Hills signage project. Of the \$13,800 in-kind match tested, \$13,605 was not supported by documentation to indicate the in-kind services provided for the project. In addition, the reimbursement requests were not reviewed and approved by an independent person.

Recommendation – The Council should develop procedures to ensure in-kind match is properly supported and reimbursement requests are approved by an independent person.

Response and Corrective Action Planned – In-kind and reimbursement requests will be reviewed and approved by the Board of Directors as necessary. Time dedicated to each project will be identified on each staff's time sheet and tracked with a unique code. All projects with reimbursement expenses are reviewed and approved by the Board of Directors.

Conclusion – Response accepted.

INTERNAL CONTROL DEFICIENCIES:

**CFDA Number 20.205: Highway Planning and Construction
Federal Award Year: 2008
U.S. Department of Transportation
Passed through the Iowa Department of Transportation**

III-B-08 Segregation of Duties over Federal Receipts – The Council did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal program draw down requests. See item II-A-11.

III-C-08 Segregation of Duties over Federal Disbursements – The Council did not properly segregate check writing and signing and approval of expenses, including those related to federal programs. See item II-A-11.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

III-D-08 Procurement Policies – Office of Management and Budget (OMB) Circular A-133 states the Council is prohibited from contracting with parties who are suspended or debarred. The Council did not determine and has not established procedures to ensure transactions are with contractors who are not suspended or debarred. In addition, the Council has not established written policies for procurement practices, conflicts of interest and acceptable business practices.

Recommendation – The Council should develop written policies and procedures to ensure transactions are with contractors who are not suspended or debarred and for procurement practices, conflicts of interest and acceptable business practices. The Council should also review the Excluded Parties List System at <http://epls.arnet.gov>.

Response – The Board of Directors adopted a debarment and suspension policy in February 2012.

Conclusion – Response accepted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Years ended June 30, 2011, 2010, 2009 and 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Budget – The Council has not prepared and adopted an annual budget in accordance with its articles of incorporation.

Recommendation – The Council should develop and adopt an annual budget.

Response – The Board of Directors completed and approved a budget for fiscal year 2012 which was implemented in July 2011.

Conclusion – Response accepted.

IV-B-11 Questionable Expenses – During the year ended June 30, 2011, certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Honey Creek Resort State Park	Office Christmas party	\$571
Flower Center	Plant for funeral	40

In addition, various late fees and service charges on credit card and cell phone billings were noted.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Council should establish written policies and procedures, including requirements for proper documentation.

Response – All staff and Board members repaid the amounts charged to the organization for the Honey Creek Resort invoice. Future expenditures for other purposes will be reviewed for approval. The Board of Directors will look at reducing any late fees and service charges by making prompt payments on a monthly basis.

Conclusion – Response acknowledged. Support was provided for the four Board members present at the Christmas party. Support has not yet been obtained for other staff who attended.

IV-C-11 Travel Expense – No disbursements of Council money for travel expenses of spouses of Council officials or employees were noted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Years ended June 30, 2011, 2010, 2009 and 2008

- IV-D-11 Business Transactions – As noted in the special report dated February 7, 2012, there were business transactions between the Council and the Executive Director for the years ended June 30, 2010, 2009 and 2008. \$300 was paid for building rent to the Executive Director’s mother-in-law in August 2007. On August 20, 2007, the Executive Director purchased the building and rent of \$5,850 was paid to her husband for the year ended June 30, 2008. For the year ended June 20, 2009, rent of \$8,100 was paid to her husband and \$2,700 of rent was paid to her. For the years ended June 30, 2011 and 2010, \$7,000 and \$10,400, respectively, of rent was paid to the Executive Director.

Recommendation – The Council should develop policies and procedures for business transactions and conflict of interest.

Response – Due to the wording in the lease signed during the year ended June 30, 2011, legal counsel advised continuing with lease until the termination date. Early termination would have resulted in the Council being financially obligated to pay the remaining lease balance and incur additional monies for a new space. The Council offered to purchase the building from the owner for a fair price, which was countered with an unreasonable price.

Conclusion - Response accepted.

- IV-E-11 Board Minutes – In accordance with Chapter 28E.6(3) of the Code of Iowa, a summary of the Board proceedings should be submitted for publication within 20 days following the adjournment of the meeting. The summary should include a schedule of bills allowed and a list of all salaries paid for services, but persons regularly employed by the Council shall only be published annually. Proof of publications could not be located for all minutes during the years ended June 30, 2011, 2010, 2009 and 2008. Also, minutes were not available for all meetings held during the years ended June 30, 2010, 2009 and 2008.

Recommendation – The Council should ensure minutes are maintained for all meetings held and minutes are properly submitted for publication including the schedule of bills. Proof of publication should be maintained.

Response – Agendas and minutes are posted in multiple locations as well as available at the principal office location for public review. They will also be available for review on the organization’s website. We will comply with the Code of Iowa’s requirements for publication.

Conclusion – Response accepted.

- IV-F-11 Deposits and Investments – Except a resolution naming official depositories has not been adopted by the Council, no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Council’s investment policy were noted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings and Questioned Costs

Years ended June 30, 2011, 2010, 2009 and 2008

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response – A resolution identifying the financial depository was adopted in March 2012.

Conclusion – Response accepted.

- IV-G-11 Financial Condition – At June 30, 2011, 2010, 2009 and 2008, the Council had deficit net asset balances of \$83,136, \$85,015, \$77,938 and \$37,528, respectively.

Recommendation – The Council should investigate alternatives to eliminate the deficit and return to a sound financial position.

Response – The Board of Directors is considering options for eliminating prior deficits, including but not limited to the designation of regional dues, expanded services and any other eligible funding to be applied for portions of the deficit.

Conclusion - Response accepted.

- IV-H-11 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Council 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 image of the back of each cancelled check was not obtained by the Council.

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

Response – The Council will contact the approved financial institution and inquire on the availability of including the images for both sides of cancelled checks.

Conclusion - Response accepted.

- IV-I-11 Mileage Reimbursements – Certain mileage reimbursements exceeded the amount allowed under Federal Internal Revenue Service rules as provided by Chapter 70A.9 of the Code of Iowa.

Recommendation – The Council should approve a mileage rate not in excess of the amount allowed by the Internal Revenue Service.

Response – The Board of Directors have approved the mileage reimbursement rate allowed by the Internal Revenue Service.

Conclusion - Response accepted.

Chariton Valley Planning & Development
Council of Governments

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Brook A. Lytle, Staff Auditor
Emily K. Creighton, Assistant Auditor
Philip A. Rethwisch, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State