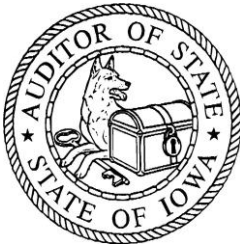


**IOWA ECONOMIC DEVELOPMENT AUTHORITY**  
**INDEPENDENT ACCOUNTANT'S REPORT ON**  
**APPLYING AGREED UPON PROCEDURES**  
**FOR THE QUARTER ENDED MARCH 31, 2012**

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To Deborah V. Durham, Director of the  
Iowa Economic Development Authority:

We have performed the following procedures, which were agreed to by the Iowa Economic Development Authority (Authority), solely to assist the Authority in evaluating the Authority's compliance with the Authority's procedures for monitoring the Community Development Block Grant (CDBG) Disaster Recovery Programs for the quarter ended March 31, 2012. Authority management is responsible for the Authority's compliance over monitoring. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the Authority. Consequently, we make no representations regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed were as follows:

- A. We visited the City of Cedar Rapids to review the Single Family Unit Production – New Construction program funded under the Iowa Economic Development Authority, Community Development Block Grant program. We inspected sixty recipient files to determine compliance with the following attributes:
  - 1) Assistance requests were related to a newly constructed single-family/single unit dwelling, manufactured single-family dwelling which is affixed to a permanent foundation and will be taxed as real property upon completion or condominium style single-family project for individual homeownership.
  - 2) The City targeted communities which lost single-family housing as a result of the disasters of 2008.
  - 3) Newly constructed single-family units were made available for sale to persons or households whose incomes are at or below the median income limits as established by the U.S. Department of Housing and Urban Development (HUD).
  - 4) Assistance was not combined with Federal Jumpstart Homebuyer Assistance or State Jumpstart Downpayment Assistance on the same dwelling unit or person/household served.
  - 5) Construction did not exceed the maximum per unit development cost cap of \$180,000.
  - 6) Assistance did not exceed the maximum per unit CDBG subsidy cap of thirty percent of the per unit development cap for Round 1 of funding and twenty-five percent for Rounds 2 and 3 of funding.
  - 7) The new construction was not within the 100-year flood plain or within known or proposed buy-out areas.

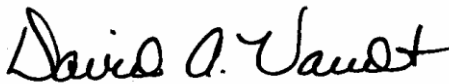
- 8) New construction was designed and constructed in accordance with all locally adopted and enforced building codes and standards.
  - 9) New construction met the requirements of the Iowa Green Streets Criteria.
  - 10) Lots on which the single-family housing construction was proposed were identified and site control obtained prior to application submission and were identified within the application.
  - 11) Loan interest rates were not higher than four percentage points above the federal prime interest rate at the time of loan commitment.
  - 12) Loan-to-value ratios did not exceed seventy percent for Round 1 and seventy-five percent Rounds 2 and 3.
  - 13) The loan was no less than a 15-year, fully amortized, fixed-rate mortgage and the mortgage was not an adjustable rate mortgage or include a balloon payment.
  - 14) The homebuyer was able to support a mortgage, documented with a firm loan commitment.
  - 15) The principal mortgage loan is the only repayable loan in all individual homebuyer assistance projects under these proposals.
  - 16) If the loan was refinanced to lower the mortgage interest rate, the new mortgage was no less than a 5-year, fully amortized, fixed-rate mortgage and no funds/equity were withdrawn during the 5-year affordability period.
  - 17) Funds were repaid if the assisted homebuyer sells, vacates, rents or abandons their purchased property any time within the five year period.
  - 18) The City secured a mortgage lien against the property.
- B. We tested Round 2 funding to ensure: 1) fifty percent of newly constructed single family units were made available for sale to persons or households whose income are at or below eighty percent of the median income limits as established by HUD, 2) fifty percent of all single-family units constructed under this activity were at a maximum per unit development cost of \$150,000, 3) general administrative funds did not exceed two percent of the total award, 4) project delivery costs did not exceed \$5,000 per unit and 5) the City did not allocate more than fifty percent of the funds to be used for infrastructure in support of housing.
- C. We inspected City files to ensure 1) the City met the proposal deadlines and 2) the applications identified at least two regulated lenders for Round 1 and three regulated lenders for Rounds 2 and 3 and included a statement from the lenders of their willingness to participate.
- D. We inspected the files to determine the builders of the single-family housing obtained their own construction financing for all dwelling units they constructed and the builders' fee (overhead and profit) did not exceed fifteen percent of the cost of construction.

Based on the performance of the procedures described above, we found no exceptions as a result of the procedures performed.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the effectiveness of internal control over monitoring. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Iowa Economic Development Authority and the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the assistance extended to us by personnel of the Iowa Economic Development Authority and the City of Cedar Rapids. 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

September 4, 2012

Iowa Economic Development Authority

Staff

This agreed upon procedures engagement was performed by:

Michelle B. Meyer, CPA, Manager  
Michael R Field, Senior Auditor  
Jamie T. Reuter, Assistant Auditor  
Nicole L. Wilson, 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