



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

April 22, 2013

Contact: Andy Nielsen
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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 had total receipts of \$369,921 for the year ended June 30, 2012. The receipts included \$235,397 of intergovernmental receipts, \$113,485 from transportation matching reimbursements and \$20,750 from membership dues.

Disbursements for the year totaled \$314,264, and included \$100,225 for salaries and benefits, \$19,981 for office equipment and supplies, \$10,342 for legal, accounting and auditing and \$146,188 for principal and interest payments.

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/1214-0026-B00F.pdf>.

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

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
SCHEDULE OF FINDINGS**

JUNE 30, 2012

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Financial Statement:	<u>Exhibit</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets	A 7
Notes to Financial Statement	8-11
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>	13-14
Schedule of Findings	15-19
Staff	20

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

Officials

Name and Title

Representing

Executive Board of Directors

Dean Kaster, Chairperson

Appanoose County

Larry Davis, Vice Chair

Lucas County

John Hamilton, Financial Advisor*

Lucas County

Dennis Ryan, Treasurer

Monroe County

Bill Alley, Member

Wayne County

Nichole Moore, Executive Director

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

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Independent Auditor's Report

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

We have audited the accompanying financial statement of the Chariton Valley Planning & Development Council of Governments, Centerville, Iowa, as of and for the year ended June 30, 2012. This financial statement is the responsibility of the Council's management. Our responsibility is to express an opinion on the 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 Chariton Valley Planning & Development Council of Governments as of June 30, 2012, 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.

As described in Note 8, the Chariton Valley Planning & Development Council of Governments elected to change its method of accounting during the year ended June 30, 2012 from the accrual basis of accounting to the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to the matter.

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2013 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.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 9, 2013

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

Chariton Valley Planning & Development
Council of Governments

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

Year ended June 30, 2012

Operating receipts:	
Intergovernmental	\$ 235,397
Transportation matching reimbursements	113,485
Membership dues	20,750
Miscellaneous	289
Total operating receipts	<u>369,921</u>
Operating disbursements:	
Salaries and benefits	100,225
Travel	8,545
Legal, accounting and auditing	10,342
Insurance	6,100
Office equipment and supplies	19,981
Dues and subscriptions	2,951
Program expenses	1,908
Professional services	6,425
Rent	7,000
Utilities	3,178
Miscellaneous	1,421
Total operating disbursements	<u>168,076</u>
Excess of operating receipts over operating disbursements	<u>201,845</u>
Non-operating disbursements:	
Debt service:	
Principal	(133,481)
Interest	(12,707)
Total non-operating disbursements	<u>(146,188)</u>
Change in cash basis net assets	55,657
Cash basis net assets beginning of year, as restated	<u>3,088</u>
Cash basis net assets end of year - unrestricted	<u><u>\$ 58,745</u></u>

See notes to financial statement.

Chariton Valley Planning & Development
Council of Governments

Notes to Financial Statement

June 30, 2012

(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.

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 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 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. Basis of Presentation

The accounts of the Council are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the operation of 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 Council maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Council 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 Council in accordance with U.S. generally accepted accounting principles.

(2) Cash and Investments

The Council's deposits at June 30, 2012 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 Council 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 Council; 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.

At June 30, 2012, 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) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

Obligation	Origination Date	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Line of credit	July 2, 2007	\$ 189,706	-	99,403	90,303
Line of credit	March 26, 2009	34,434	-	34,078	356
Total		\$ 224,140	-	133,481	90,659

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 a maturity date of July 31, 2012. On July 18, 2012, the Council refinanced the remaining balance with interest at 7.125% per annum and a maturity date of August 17, 2017.

On March 26, 2009, the Council entered into a promissory note with First Iowa State Bank for a line of credit of \$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 until the note was paid in full on July 16, 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.

Plan members are required to contribute 5.38% of their annual covered salary and the Council is required to contribute 8.07% of covered payroll. Contribution requirements are established by state statute. The Council's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$6,263, \$6,212 and \$12,401, respectively, equal to the required contributions for each year.

(5) Compensated Absences

Council employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Council until used or paid. The Council's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2012, is as follows:

Type of benefit	Amount
Vacation	\$ 11,000
Compensatory time	4,000
Total	<u>\$ 15,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(6) 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. The Council 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.

(7) Contingent Liabilities

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.

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 disbursements which may be disallowed by the grantor cannot be determined at this time.

(8) Change in Accounting Basis/Restatement of Net Assets

During the year ended June 30, 2012, the Council elected to change its method of accounting from the accrual basis of accounting to the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The effects of the change in accounting basis are as follows:

Net asset (deficit) balance, June 30, 2011, as previously reported	\$ (83,136)
Change in net assets for change in basis of accounting	<u>86,224</u>
Cash basis net assets balance, July 1, 2011, as restated	<u>\$ 3,088</u>

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

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

We have audited the accompanying financial statement of the Chariton Valley Planning & Development Council of Governments as of and for the year ended June 30, 2012, and have issued our report thereon dated April 9, 2013. 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

The 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 statement, but not for the purpose of expressing an 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 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, 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 statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) 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 the accompanying Schedule of Findings as items (D) through (F) to be significant deficiencies.

Compliance

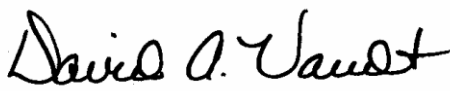
As part of obtaining reasonable assurance about whether the Chariton Valley Planning & Development Council of Governments' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Chariton Valley Planning & Development Council of Governments' operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement 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.

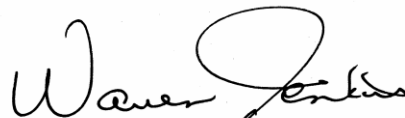
The Chariton Valley Planning & Development Council of Governments' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Council's responses, we did not audit the Chariton Valley Planning & Development 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 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

April 9, 2013

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

- (A) 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) Receipts – opening mail, collecting, depositing, posting, maintaining receivable records and reconciling receipts. An initial listing of mail receipts is prepared, but the listing is not compared to accounting records by an independent person.
 - (3) Disbursements - 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. The Executive Director’s travel claims should be reviewed by an independent person.

Response – With a small office, segregation of duties is very difficult. The Board Treasurer has begun to review bank reconciliations and evidence this review. We will continue to have the Board approve disbursements at the monthly meetings and look for ways to involve Board members to further segregate duties. After Board review and approval, Board members sign the approved list of disbursements. The Executive Director’s travel claims are now being reviewed by the Board Chairperson and the support staff’s travel claims are being reviewed and approved by the Executive Director.

Conclusion – Response accepted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings

Year ended June 30, 2012

- (B) Monthly Bank to Book Reconciliations – During the year ended June 30, 2012, 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.

Recommendation – To improve financial accountability and control, the book balances should be reconciled monthly to the bank and cash balances. These reconciliations should be reviewed by an independent person and their review should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – Board Treasurer, Executive Director and program support staff are now reviewing bank reconciliations monthly after outside accounting firm has compiled information. This is confirmed against outstanding checks which have been identified during pay periods. This is maintained on a monthly basis prior to board meetings where Treasurer and Board review and approve for signature.

Conclusion – Response accepted.

- (C) Reconciliation of Billings, Collections and Delinquent Accounts – Billings, collections and delinquent accounts were not reconciled during the year ended June 30, 2012. 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 – Executive Director will incorporate a chart showing program funding and outstanding disbursements and receipts.

Conclusion – Response accepted.

- (D) Credit Cards – The Council has credit cards for use by various employees while on Council business. Supporting documentation was not always available to support credit card charges.

Recommendation – Supporting documentation to substantiate credit card charges should be submitted and attached to claims for payment.

Response – Executive Director will keep itemized documentation for credit card charges.

Conclusion – Response accepted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings

Year ended June 30, 2012

- (E) Travel – The Council has adopted a policy requiring original receipts for lodging and meal reimbursements. During the year ended June 30, 2012, meal reimbursements for out-of-state travel were supported only by a per-diem rate sheet for the State of Vermont. No other supporting documentation was attached to the disbursement.

Recommendation – The Council should require original receipts for all lodging and meals in accordance with the adopted policy.

Response – Board has approved a per-diem policy on February, 2013 for staff travel, lodging and meal reimbursements.

Conclusion – Response accepted.

- (F) Disaster Recovery Plan – The Council has adopted a written disaster recovery plan. However, the plan does not include all the required elements, such as the identification of staff responsibilities, establishment of a predetermined priority for processing, record recovery or restoration and identification of an alternate site.

Recommendation – The Council should modify the written disaster recovery plan to include all required elements.

Response – Staff and Board will work on elements to identify the responsibility of recovering or restoration procedures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – During the year ended June 30, 2012, certain disbursements 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 disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Honey Creek Resort State Park	Office Christmas party	\$247
Hy Vee	Cake and bakery items for transportation planning meeting	104

According to the opinion, it is possible for certain disbursements 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 disbursements before authorizing any further payments. If this practice is continued, the Council should establish written policies and procedures, including requirements for proper documentation.

Response – The Executive Director will review disbursements for meeting materials and disbursements using a unique coding system. As for the Office Christmas party disbursement reported, \$195 was paid back to the Council during the current fiscal year and the remaining \$52 was paid during the next fiscal year.

Conclusion – Response accepted.

- (2) Travel Expense – No disbursements of Council money for travel expenses of spouses of Council officials or employees were noted.
- (3) Business Transactions – No business transactions between the Council and Council officials and employees were noted.
- (4) 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 salaries of persons regularly employed by the Council shall only be published annually. Proof of publications could not be located for all minutes during the year ended June 30, 2012.

Chariton Valley Planning & Development
Council of Governments

Schedule of Findings

Year ended June 30, 2012

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 – The Executive Director will make an effort to submit and post minutes of Board meetings in the region.

Conclusion – Response accepted.

- (5) Deposits and Investments – 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.
- (6) 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 Executive Director will print off cancelled check images from the on-line banking system. If unable to obtain, a request will be sent to the authorized financial institution.

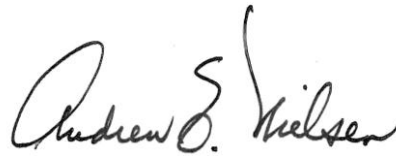
Conclusion - Response accepted.

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
Jamie T. Reuter, Staff Auditor
Emily K. Creighton, 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