



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

July 25, 2013

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the AIM - Jefferson, Keokuk Early Childhood Iowa (ECI) Area Board, d/b/a Jefferson/Keokuk Early Childhood Iowa Area for the year ended June 30, 2012.

The Jefferson/Keokuk Early Childhood Iowa Area is established under Chapter 256I of the Code of Iowa. The purpose of the Jefferson/Keokuk Early Childhood Iowa Area is to improve the well-being and quality of life of young children, age 0-5, and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs within Jefferson and Keokuk Counties.

The Area's revenues totaled \$286,284 for the year ended June 30, 2012, a 21.3% decrease from the prior year, and included state grants of \$286,203. Expenses for the year ended June 30, 2012 totaled \$260,556, a 33.7% decrease from the prior year. The significant decrease in revenues and expenses is due primarily to a reduction in grant funding and a corresponding decrease in expenses.

A copy of the audit report is available for review in the Jefferson/Keokuk Early Childhood Iowa Area Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1233-0052-B000.pdf>.

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JEFFERSON/KEOKUK EARLY CHILDHOOD IOWA AREA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS**

JUNE 30, 2012

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Management's Discussion and Analysis	7-9
Basic Financial Statements:	<u>Exhibit</u>
Entity-wide Financial Statements:	
Statement of Net Assets	A 12
Statement of Activities	B 13
Governmental Fund Financial Statements:	
Balance Sheet	C 14
Statement of Revenues, Expenditures and Changes in Fund Balances	D 15
Notes to Financial Statements	16-18
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>	21-22
Schedule of Findings	23-25
Staff	26

Jefferson/Keokuk Early Childhood Iowa Area

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Stephen Burgmeier	Chairperson	June 30, 2013
Nancy Sieber	Vice Chairperson	June 30, 2013
MaryAnn Williams	Member	June 30, 2013
Michael Berg	Member	June 30, 2014
Pat McReynolds	Member	June 30, 2014
Dave Peterson	Member	June 30, 2014
Marilyn Waechter	Member	June 30, 2014
Tammy Wetjen-Kesterson	Executive Director	June 30, 2012

Jefferson/Keokuk Early Childhood Iowa Area



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Independent Auditor's Report

To the Members of the Jefferson/Keokuk Early
Childhood Iowa Area Board:


We have audited the accompanying financial statements of the governmental activities and each major fund of the Jefferson/Keokuk Early Childhood Iowa Area as of and for the year ended June 30, 2012, which collectively comprise the Area's basic financial statements listed in the table of contents. These financial statements are the responsibility of the Area's management. Our responsibility is to express opinions on these financial statements 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 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Jefferson/Keokuk Early Childhood Iowa Area as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2013 on our consideration of the Jefferson/Keokuk Early Childhood Iowa Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting 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 Jefferson/Keokuk Early Childhood Iowa Area's basic financial statements. Management's Discussion and Analysis on pages 7 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 3, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Jefferson/Keokuk Early Childhood Iowa Area provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Area's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the Area's governmental activities decreased 21.3%, or \$77,512, from fiscal year 2011 to fiscal year 2012.
- Program expenses of the Area's governmental activities decreased 33.7%, or \$132,608, in fiscal year 2012 compared to fiscal year 2011.
- The Area's net assets increased \$25,728, from (\$4,759) at June 30, 2011 to \$20,969 at June 30, 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Area's financial activities.

The Entity-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the Area as a whole and present an overall view of the Area's finances.

The Fund Financial Statements tell how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report the Area's operations in more detail than the entity-wide financial statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

REPORTING THE AREA'S FINANCIAL ACTIVITIES

Entity-wide Financial Statements

The Statement of Net Assets and the Statement of Activities present the Area's net assets. Over time, increases or decreases in the Area's net assets may serve as a useful indicator of whether the financial position of the Area is improving or deteriorating.

The Statement of Net Assets and the Statement of Activities include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Area's net assets increased from a year ago, increasing from (\$4,759) at June 30, 2011 to \$20,969 at June 30, 2012. The analysis that follows focuses on the changes in the Area's net assets.

Statement of Net Assets		
	June 30,	
	2012	2011
Current and other assets	\$ 79,555	53,109
Accounts payable	58,586	57,868
Net assets	\$ 20,969	(4,759)

The net assets of the Area's governmental funds increased \$25,728 during the year, primarily due to reductions in family support and parent education expenses for the year ended June 30, 2012. A following analysis details the changes in net assets resulting from the Area's activities for the years ended June 30, 2012 and 2011.

Changes in Net Assets		
	Year ended June 30,	
	2012	2011
Program revenues:		
Operating grants and restricted interest	\$ 286,284	363,796
Program expenses:		
Early childhood	37,483	55,660
Family support and parent education	100,878	173,003
Preschool support for low income families	57,999	94,915
Quality improvement	36,312	37,044
Other program services	19,190	21,388
Administration	8,694	11,154
Total expenses	260,556	393,164
Change in net assets	25,728	(29,368)
Net assets (deficit) beginning of year	(4,759)	24,609
Net assets (deficit) end of year	\$ 20,969	(4,759)

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

- The Special Revenue, Early Childhood Fund fund balance increased \$13,420 from the prior year to a year-end balance of \$18,504.
- The Special Revenue, School Ready Fund fund balance increased \$12,308 from the prior year to a year-end balance of \$2,465
- The above increases in fund balances were due to reductions in program expenditures for the year ended June 30, 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Future funding increased for fiscal year 2013 for the Jefferson/Keokuk Early Childhood Iowa Area. The fiscal year 2013 grant funding for Early Childhood and School Ready totaled \$62,284 and \$226,610, respectively, a total of \$288,894, which is an increase of \$2,691 from fiscal year 2012.

CONTACTING THE AREA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Area's finances and to show the Area's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tammy Wetjen-Kesterson, Executive Director, 744 Clinton Avenue, Marengo, Iowa 52301.

Jefferson/Keokuk Early Childhood Iowa Area

Basic Financial Statements

Exhibit A

Jefferson/Keokuk Early Childhood Iowa Area

Statement of Net Assets

June 30, 2012

Assets

Cash	\$ 79,555
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Liabilities

Accounts payable	<u>58,586</u>
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Net Assets

Restricted for grant purposes	<u><u>\$ 20,969</u></u>
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See notes to financial statements.

Jefferson/Keokuk Early Childhood Iowa Area

Statement of Activities

Year ended June 30, 2012

	Expenses	Operating Grants and Restricted Interest	Net (Expense) Revenue and Change in Net Assets
Functions/Programs:			
Governmental activities:			
Early childhood	\$ 37,483	51,106	13,623
Family support and parent education	100,878	122,126	21,248
Preschool support for low income families	57,999	53,622	(4,377)
Quality improvement	36,312	37,153	841
Other program services	19,190	12,615	(6,575)
Administration	8,694	9,662	968
Total	<u>\$ 260,556</u>	<u>286,284</u>	25,728
Net assets (deficit) beginning of year			<u>(4,759)</u>
Net assets end of year			<u>\$ 20,969</u>

See notes to financial statements.

Exhibit C

Jefferson/Keokuk Early Childhood Iowa Area

Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue		Total
	Early Childhood	School Ready	
Assets			
Cash	\$ 30,348	49,207	79,555
Liabilities and Fund Balances			
Accounts payable	\$ 11,844	46,742	58,586
Fund balances:			
Restricted for grant purposes	18,504	2,465	20,969
Total liabilities and fund balances	\$ 30,348	49,207	79,555

See notes to financial statements.

Jefferson/Keokuk Early Childhood Iowa Area

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2012

	Special Revenue		Total
	Early Childhood	School Ready	
Revenues:			
State of Iowa grants:			
Early childhood	\$ 51,085	-	51,085
Family support and parent education	-	122,126	122,126
Preschool support for low income families	-	53,622	53,622
Quality improvement	-	37,153	37,153
Other program services	-	12,555	12,555
Allocation for administration	2,689	6,973	9,662
Total State of Iowa grants	53,774	232,429	286,203
Interest on investments	21	60	81
Total revenues	53,795	232,489	286,284
Expenditures:			
Program services:			
Early childhood	37,483	-	37,483
Family support and parent education	-	100,878	100,878
Preschool support for low income families	-	57,999	57,999
Quality improvement	-	36,312	36,312
Other program services	-	19,190	19,190
Administration	2,892	5,802	8,694
Total expenditures	40,375	220,181	260,556
Change in fund balances	13,420	12,308	25,728
Fund balances beginning of year	5,084	(9,843)	(4,759)
Fund balances end of year	\$ 18,504	2,465	20,969

See notes to financial statements.

Jefferson/Keokuk Early Childhood Iowa Area

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The Jefferson/Keokuk Early Childhood Iowa Area (Area) is established under Chapter 256I of the Code of Iowa. The goal of the Area is to improve the well-being and quality of life for young children, age 0-5, and their families, reduce barriers to community efforts and improve the efficiency and effectiveness of local education, health and human services programs. The Area is funded by allocations of federal and state block grants.

An autonomous Board with a minimum of seven citizens from Jefferson and Keokuk Counties governs the Jefferson/Keokuk Early Childhood Iowa Area. The Jefferson/Keokuk Early Childhood Iowa Area Board is comprised of an elected official from each County and one representative each from business, faith, consumer, health, human services and education.

The Area designated First Resources Corporation, a nonprofit corporation, as fiscal agent to administer the grant funds as permitted by Chapter 256I.8(1a) of the Code of Iowa.

The Area's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The financial statements of the Jefferson/Keokuk Early Childhood Iowa Area are intended to present the financial position and the changes in financial position of only that portion of the fiscal agent's financial activity attributable to the transactions of the Early Childhood and School Ready grants, which are reported in separate Special Revenue Funds.

A. Reporting Entity

For financial reporting purposes, the Jefferson/Keokuk Early Childhood Iowa Area has included all funds, organizations, agencies, commissions, and authorities. The Area 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 Area are such that exclusion would cause the Area'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 Area 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 Area. The Area has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide financial statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Area.

The Statement of Net Assets presents the Area's assets and liabilities, with the difference reported as net assets. Net assets are reported in the following category:

Restricted net assets result when constraints placed on net asset use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Area reports the following major governmental funds:

Special Revenue:

The Early Childhood Fund is used to account for funds allocated from the Iowa Department of Human Services to enhance the capacity and quality of child care services to help parents obtain or retain employment.

The School Ready Fund is used to account for funds allocated from the Iowa Department of Education to support a comprehensive school ready children plan designed by the Area Board.

C. Measurement Focus and Basis of Presentation

The entity-wide 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 satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Area considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Area.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Fund Balance

In the governmental fund financial statements, fund balances are classified as restricted. This amount is restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

(2) Cash

The Area's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance.

(3) Risk Management

The Area 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 Area 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.

**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**

Jefferson/Keokuk Early Childhood Iowa Area



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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 Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Jefferson/Keokuk
Early Childhood Iowa Area Board:

We have audited the accompanying financial statements of the Jefferson/Keokuk Early Childhood Iowa Area as of and for the year ended June 30, 2012, and have issued our report thereon dated June 3, 2013. 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 Jefferson/Keokuk Early Childhood Iowa Area is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Jefferson/Keokuk Early Childhood Iowa Area'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 Jefferson/Keokuk Early Childhood Iowa Area's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jefferson/Keokuk Early Childhood Iowa Area's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 the 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 Area's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control 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) and (E) to be significant deficiencies.


Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Jefferson/Keokuk Early Childhood Iowa Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 required to be reported under Government Auditing Standards.

The Jefferson/Keokuk Early Childhood Iowa Area's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Area's responses, we did not audit the Jefferson/Keokuk Early Childhood Iowa Area's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Jefferson/Keokuk Early Childhood Iowa Area, citizens of the State of Iowa and other parties to whom the Jefferson/Keokuk Early Childhood Iowa Area may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Jefferson/Keokuk Early Childhood Iowa Area 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 3, 2013

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. 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:

- (1) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing and posting.
- (3) Disbursements – preparing and signing checks, recording disbursements and reconciling bank statements.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Area should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and/or Board members. Evidence of review of reconciliations should be indicated by the signature or initials of the independent reviewer and the date of the review.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

(B) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, they were not reviewed by an independent individual or provided to the Area Board for review.

Recommendation – The monthly bank reconciliations should be provided to an independent individual or to the Area Board for review and approval.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

(C) Supporting Documentation and Approval – During fiscal year 2012, the Area contracted with fourteen providers. The provider contracts require detailed monthly invoices be submitted prior to payment to support the services rendered. The invoices and documentation are to be submitted to the Early Childhood Program Administrator, who is to verify the accuracy and adequacy of the documentation and approve the disbursement.

Jefferson/Keokuk Early Childhood Iowa Area

Schedule of Findings

Year ended June 30, 2012

For 5 of 25 provider claims tested, adequate supporting documentation was not available or did not agree with the amount paid. Also, for 25 of 25 provider claims, the invoice was not cancelled to prevent reuse.

Recommendation - All contract payments should be supported by detailed invoices or other supporting documentation as required by the provider contracts. The invoices and supporting documentation should be reviewed and approved by the Program Administrator and be made available to the Area Board for timely review. To aid in preventing duplicate payments, all invoices and supporting documentation should be marked paid or stamped "paid" with the date of payment.

Response – We accept the recommendation and will pursue implementation.

Conclusion - Response accepted.

- (D) Grant Allocations and Timely Deposits – Four of eight grant allocations received during the fiscal year were not deposited timely. Deposits were not made within 20 days of receipt.

Recommendation – Grant allocations received should be deposited in a timely manner.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

- (E) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Area to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check.

Recommendation – The Area should obtain and retain an image of both the front and back of each canceled check, as required.

Response – We accept the recommendation and will pursue implementation.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Jefferson/Keokuk Early Childhood Iowa Area

Schedule of Findings

Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures for travel expenses of spouses of Area officials or employees were noted.

Jefferson/Keokuk Early Childhood Iowa Area

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Jessica P. Green, Staff Auditor
Kirstie R. Hill, 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