



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

September 24, 2024

Auditor of State Rob Sand today released an audit report on the Heart of Iowa Community Services Region for the year ended June 30, 2023.

FINANCIAL HIGHLIGHTS:

The Heart of Iowa Community Services Region's revenues totaled \$4,407,569 for the year ended June 30, 2023, a 15.8% increase over the prior year. Expenses for the year ended June 30, 2023 totaled \$4,711,843, a 15.7% increase over the prior year. The increase in revenues is primarily due to a change in funding from property taxes in the member counties to state regional service payments. The increase in expenses is primarily due to an increase in general administration services provided.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and disbursement of taxpayer funds. They are found on pages 22 through 24 of this report. The findings address annual report errors and overpayment in a mileage reimbursement. Sand provided the Heart of Iowa Community Services Region with recommendations to address each of the findings.

One of the two findings discussed above is repeated from the prior year. The Board has a fiduciary responsibility to provide oversight of the Heart of Iowa Community Services Region's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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HEART OF IOWA COMMUNITY SERVICES REGION

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

JUNE 30, 2023

Heart of Iowa Community Services Region



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

August 13, 2024

Officials of the Heart of Iowa Community Services Region
Dallas County, Iowa (Fiscal Agent)

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the Heart of Iowa Community Services Region for the year ended June 30, 2023. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the Heart of Iowa Community Services Region throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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Heart of Iowa Community Services Region

Regional Governance Board

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Larry Loss	Board Chair	Parent or Actively Involved Relative of Child
Maggie Armstrong	Vice-Chair	Guthrie County Board of Supervisors
Brad Golightly	Board Member	Dallas County Board of Supervisors
Rick Thompson	Board Member	Audubon County Board of Supervisors
Clifford Carney	Board Member	Parent or Actively Involved Relative of Adult
Lesleyann Christensen	Board Member	Regional Education System
Darci Alt	Chief Executive Officer	
Lisa Kempf	Financial Coordinator	

Heart of Iowa Community Services Region



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STATE OF IOWA**

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Independent Auditor's Report

To the Board of Directors of the Heart of Iowa Community Services Region:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Heart of Iowa Community Services Region, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the Heart of Iowa Community Services Region's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Heart of Iowa Community Services Region, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Region, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Heart of Iowa Community Services Region's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Heart of Iowa Community Services Region's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Heart of Iowa Community Services Region's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis which GAAS require to be presented to supplement the basic financial statements. Such omitted information although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this omitted information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2024 on our consideration of the Heart of Iowa Community Services Region's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Region's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Heart of Iowa Community Services Region's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA
Deputy Auditor of State

August 13, 2024

Heart of Iowa Community Services Region

Basic Financial Statements

Heart of Iowa Community Services Region

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 1,027,038
Due from other governments	361
Prepaid expenditures	256,511
Capital assets, net of accumulated depreciation	<u>56,657</u>
Total assets	<u>1,340,567</u>
Liabilities	
Accounts payable	412,591
Due to other governments	<u>291,132</u>
Total liabilities	<u>703,723</u>
Net Position	
Net investment in capital assets	56,657
Restricted for mental health purposes	<u>580,187</u>
Total net position	<u>\$ 636,844</u>

See notes to financial statements.

Heart of Iowa Community Services Region

Statement of Activities

Year ended June 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants, Contributions and Restricted Interest	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities:			
Mental health	\$ 4,711,843	4,407,050	(304,793)
General Revenues:			
Miscellaneous			519
Change in net position			(304,274)
Net position beginning of year			941,118
Net position end of year			<u>\$ 636,844</u>

See notes to financial statements.

Heart of Iowa Community Services Region

Balance Sheet

June 30, 2023

	General Fund
Assets	
Cash and pooled investments	\$ 1,027,038
Due from other governments	361
Prepaid expenditures	256,511
Total assets	\$ 1,283,910
Liabilities, Deferred Inflows of Resources and Fund Balances	
Liabilities:	
Accounts payable	\$ 412,591
Due to other governments	291,132
Total liabilities	703,723
Fund Balances:	
Restricted for mental health purposes	580,187
Total liabilities, deferred inflows of resources and fund balances	\$ 1,283,910
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	
Fund Balance	\$ 580,187
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$83,716 and the accumulated depreciation is \$27,059.	56,657
Net position of governmental activities (page 10)	\$ 636,844

See notes to financial statements.

Heart of Iowa Community Services Region

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2023

	General Fund
Revenues:	
Intergovernmental revenues:	
State regional service payments	\$ 4,407,050
Miscellaneous	519
Total revenues	4,407,569
Expenditures:	
Services to persons with:	
Mental illness	3,433,864
Intellectual disabilities	48,064
Other developmental disabilities	1,738
Brain injury	31,568
Total direct services	3,515,234
General administration:	
Direct administration	51,278
Purchased administration	204,861
Reimbursement to counties for wages and benefits	955,863
Total general administration	1,212,002
Total mental health, intellectual disabilities and developmental disabilities expenditures	4,727,236
Net change in fund balances	(319,667)
Fund balances beginning of year	899,854
Fund balances end of year	\$ 580,187

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities**

Net change in fund balance \$ (319,667)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year.

15,393

Change in net position of governmental activities (page 11)

\$ (304,274)

See notes to financial statements.

Heart of Iowa Community Services Region

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

The Heart of Iowa Community Services Region is a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The Region includes the following member counties: Audubon County, Dallas County, and Guthrie County. The member counties entered into this 28E agreement to create a mental health and disability service regional administrative entity as described by Chapter 331.389 of the Code of Iowa to provide local access to mental health and disability services for adults and to engage in any other related activity in which an Iowa 28E organization may lawfully be engaged.

The Region governing board is comprised of at least one Board of Supervisors' member, or their designees, from each member county. The Regional Governance Board also includes two individuals who utilize mental health and disability services or are actively involved relatives of such an individual and one individual who works in the regional education system.

Except as noted in the Independent Auditor's Report, the Region'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 Region are intended to present the financial position and the changes in financial position of the Heart of Iowa Community Services Region.

A. Reporting Entity

For financial reporting purposes, the Heart of Iowa Community Services Region has included all funds, organizations, agencies, commissions and authorities. The Region 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 Region are such that exclusion would cause the Region'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 Region 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 Region. The Region has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Heart of Iowa Community Services Region.

The Statement of Net Position presents the Region's assets, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consist of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position 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 is 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 requirements of a particular function. State regional services payments, 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 in the fund financial statements.

The Heart of Iowa Community Services Region reports the following major governmental fund:

The General Fund is used to account for the state regional service payments and other revenues to provide services to community-based, person-centered mental health and disability services system.

C. Measurement Focus and Basis of Accounting

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 Region considers revenues to be available if they are collected within 90 days after year end.

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

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 recorded 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.

Under the terms of grant agreements, the Region funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Region's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Region's policy is to pay the expenditure from restricted fund balance and then from less-restrictive unassigned fund balances.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most Heart of Iowa Community Services Region funds are pooled and invested. Interest earned on investments is recorded by the fiscal agent. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Due from other governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. Reportable capital assets are defined by the Region as assets with initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Equipment and vehicles	\$ 5,000

Equipment and vehicles are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Equipment and vehicles	3 - 20

Due to Other Governments – Due to other governments represents payments for services which will be remitted to other governments.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts 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 and Pooled Investments

The Heart of Iowa Community Services Region’s deposits in banks at June 30, 2023 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 ensure there will be no loss of public funds.

The Region 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 Region; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Region had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2023 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets being depreciated/amortized:				
Equipment and vehicles	\$ 51,580	32,136	-	83,716
Less accumulated depreciation/amortization for:				
Equipment and vehicles	10,316	16,743	-	27,059
Total capital assets being depreciated/amortized net	41,264	15,393	-	56,657
Governmental activities capital assets, net	\$ 41,264	15,393	-	56,657

Depreciation/amortization expense was charged to the following function:

Governmental activities:
Mental health

\$ 16,743

(4) Risk Management

The Heart of Iowa Community Services Region is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 800 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, employment practices liability, public officials liability, cyber liability and law enforcement liability. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Region not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Heart of Iowa Community Services Region's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The Heart of Iowa Community Services Region's contributions to the Pool for the year ended June 30, 2023 were \$5,029.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Region's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Region's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Region's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Heart of Iowa Community Services Region does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2023, no liability has been recorded in the Region's financial statements. As of June 30, 2023, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

(5) Change in Funding

The Governor signed Senate File 619 on June 16, 2021 which significantly changed the funding for the Heart of Iowa Community Services Region starting July 1, 2021. During fiscal year 2023, the Region no longer received property tax levy funds from the member counties. All funding came entirely from state appropriations. The member counties fund balances in the County Mental Health funds were closed as of June 30, 2022.

(6) Subsequent Event

The Governor signed House File 2673 on May 15, 2024, which will create a new behavioral health services system statewide. All mental health and substance abuse regions will be closed and funds will be transferred to the new unified behavioral health system by July 1, 2025.

On July 1, 2024, Heart of Iowa Community Services Region approved a new 28E Agreement which included the County Rural Offices of Social Services and the Southern Hills Regional Mental Health region as members of the Heart of Iowa Community Services Region.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

Rob Sand
Auditor of State

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Telephone (515) 281-5834

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 Regional Governance Board of the Heart of Iowa Community Services Region:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Heart of Iowa Community Services Region as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the Heart of Iowa Community Services Region's basic financial statements, and have issued our report thereon dated August 13, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Heart of Iowa Community Services Region's internal control over financial reporting (internal control) as a basis for designing the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Heart of Iowa Community Services Region's internal control. Accordingly, we do not express an opinion on the effectiveness of the Heart of Iowa Community Services Region's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 that a material misstatement of the Region's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as items 2023-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item 2023-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Heart of Iowa Community Services Region's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which are required to be reported under Government Auditing Standards.

Heart of Iowa Community Services Region's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Heart of Iowa Community Services Region's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Heart of Iowa Community Services Region's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Region's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Region's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Heart of Iowa Community Services Region 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

August 13, 2024

Heart of Iowa Community Services Region

Schedule of Findings

Year ended June 30, 2023

Finding Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCY:

2023-001 Annual Report

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the Region’s financial statements.

Condition – Revenues and expenditures in the Heart of Iowa Community Services Region’s Annual Report did not agree with the Region’s financial statements prepared by Dallas County. Expenditures were overstated by \$3,099, revenues and beginning and ending fund balance were overstated by \$951,677, \$41,265 and \$989,843, respectively.

Cause – Region policies and procedures have not been established to require independent review of Dallas County’s annual financial reports to ensure the Region’s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in the Region’s employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the Region’s financial statements were necessary.

Recommendation – The Region should verify financial information presented in its annual report agrees to the GAAP-basis financial information reported in the Dallas County annual financial report.

Response – The Financial Manager will verify the financial information presented in the annual report to ensure it agrees with the GAAP basis financial information reported in the financial information reported in the County accounting software.

Conclusion – Response accepted.

2023-002 Mileage Reimbursements

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – One mileage reimbursement selected had an error in the calculation of total mileage for reimbursement which resulted in an over payment of \$83.

Cause – The region does not have a policy or procedure to perform recalculations of mileage reimbursements.

Heart of Iowa Community Services Region

Schedule of Findings

Year ended June 30, 2023

Effect – Lack of written policies and procedures to regulate the reimbursement of mileage could result in unauthorized and unsupported transactions and the opportunity for misappropriation or theft.

Recommendation – The Region should adopt a reimbursement policy, documenting the mileage reimbursement rate and requiring sufficient supporting documentation be retained. Supporting documentation should be monitored and tracked to verify reasonableness and accuracy of reimbursement.

Response – The Financial Manager was able to adapt the Dallas County policy to Heart of Iowa so there is now a policy in place. Supporting documents will be recalculated to ensure the correct mileage is calculated. The Region did reduce the next mileage claim to adjust for this overpayment.

Conclusion – Response accepted.

INSTANCE OF NONCOMPLIANCE:

No matters were noted.

Heart of Iowa Community Services Region

Schedule of Findings

Year ended June 30, 2023

Other Findings Related to Required Statutory Reporting:

- 2023-A Region Minutes – No transactions were found that we believe should have been approved in the Region minutes but were not. The vote of each member present is indicated in the meeting minutes as required by Chapter 21.3 of the Code of Iowa.
- 2023-B Travel Expense – No disbursements of the Region’s money for travel expenses of spouses of Region officials or employees were noted.
- 2023-C 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 Region's investment policy were noted.
- 2023-D Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 2023-E Restricted Donor Activity – No transactions were noted between the Region, Region officials, Region employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

Heart of Iowa Community Services Region

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Katherine L. Rupp, CPA, Manager
Laurel P. Hoogensen, Senior Auditor