



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE September 23, 2010

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Disaster Grants – Public Assistance program of the Iowa River - Flint Creek Levee District in Des Moines County and Louisa County, Iowa.

The Levee District's Disaster Grants – Public Assistance program disbursements totaled \$996,855 for the year ended June 30, 2009.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at: <http://auditor.iowa.gov/reports/0933-0009-B000.pdf>

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**IOWA RIVER - FLINT CREEK LEVEE DISTRICT
PUBLIC ASSISTANCE GRANTS**

**INDEPENDENT AUDITOR'S REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2009

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Iowa River - Flint Creek Levee District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kenny Oetken	Trustee	Jan 2011
Doug Boyer	Trustee	Jan 2012
Jack Bell	Trustee	Jan 2013
Vicki Stoller	Administrator	Indefinite

**Iowa River - Flint Creek Levee District
Public Assistance Grants**



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Independent Auditor's Report

To the Trustees of the Iowa River - Flint Creek
Levee District:

We have audited the accompanying Schedule of Expenditures of Federal Awards (Schedule) for the Iowa River - Flint Creek Levee District's Disaster Grants – Public Assistance program for the year ended June 30, 2009. The Schedule is the responsibility of the Iowa River - Flint Creek Levee District's management. Our responsibility is to express an opinion on the Schedule 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, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

As described in note 1, the Schedule was 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 Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the Iowa River - Flint Creek Levee District's Disaster Grants – Public Assistance program for the year ended June 30, 2009 on the basis of accounting described in note 1.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Iowa River - Flint Creek Levee District and other parties to whom the Iowa River - Flint Creek Levee District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 2, 2010

**Iowa River - Flint Creek Levee District
Public Assistance Grants**

Iowa River - Flint Creek Levee District
Public Assistance Grants

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Disbursements
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency			
Management Division:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA-1763-DRIA	\$ 996,855

See note to Schedule of Expenditures of Federal Awards.

Iowa River - Flint Creek Levee District
Public Assistance Grants

Note to Schedule of Expenditures of Federal Awards

June 30, 2009

(1) Summary of Significant Accounting Policies

The Iowa River - Flint Creek Levee District is a political subdivision of the State of Iowa located in Des Moines and Louisa Counties. A Board of Trustees elected on a non-partisan basis is responsible for managing the Levee District. The Levee District collects assessments from landowners for the purpose of maintaining the levee.

A. Reporting Entity

The Schedule of Expenditures of Federal Awards includes only the program disbursements of the Levee District's Disaster Grants - Public Assistance program.

B. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Iowa River - Flint Creek Levee District and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

C. Basis of Accounting

The Iowa River - Flint Creek Levee District maintains its financial records on the basis of cash receipts and disbursements and the Schedule of Expenditures of Federal Awards is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the Schedule of Expenditures of Federal Awards is not presented in accordance with U.S. generally accepted accounting principles.

**Independent Auditor's Report on Compliance with Requirements
Applicable to the Federal Program and on Internal Control over Compliance
in Accordance with the Program – Specific Audit Option Under OMB Circular A-133**

**Iowa River - Flint Creek Levee District
Public Assistance Grants**



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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Compliance with Requirements
Applicable to the Federal Program and on Internal Control over Compliance
in Accordance with the Program – Specific Audit Option Under OMB Circular A-133

To the Trustees of the Iowa River - Flint Creek
Levee District:

Compliance

We have audited the compliance of the Iowa River - Flint Creek Levee District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the Disaster Grants – Public Assistance program for the year ended June 30, 2009. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the Iowa River - Flint Creek Levee District's management. Our responsibility is to express an opinion on the Iowa River - Flint Creek Levee District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on the Disaster Grants – Public Assistance program occurred. An audit includes examining, on a test basis, evidence about the Iowa River - Flint Creek Levee District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Iowa River - Flint Creek Levee District's compliance with those requirements.

As described in item II-A-09 in the accompanying Schedule of Findings and Questioned Costs, the Iowa River – Flint Creek Levee District did not comply with the requirements regarding activities allowable or unallowed which are applicable to its Disaster Grants – Public Assistance program. Compliance with such requirements is necessary, in our opinion, for the Iowa River – Flint Creek Levee District to comply with the requirements applicable to the program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Iowa River - Flint Creek Levee District complied, in all material respects, with the requirements referred to above that are applicable to its Disaster Grants – Public Assistance program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Iowa River - Flint Creek Levee District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Iowa River - Flint Creek Levee District's internal control over compliance with requirements that could have a direct and material effect on its Disaster Grants – Public Assistance program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Iowa River - Flint Creek Levee District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Iowa River - Flint Creek Levee District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency in the Iowa River - Flint Creek Levee District's internal control over compliance 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 non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Iowa River - Flint Creek Levee District's ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Iowa River - Flint Creek Levee District's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items II-B-09 through II-E-09 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the Iowa River - Flint Creek Levee District's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item II-B-09 to be a material weakness.

The Iowa River - Flint Creek Levee District's responses to the finding identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the Iowa River - Flint Creek Levee District's responses, we did not audit the Iowa River - Flint Creek Levee District'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, employees and citizens of the Iowa River - Flint Creek Levee District and other parties to whom the Iowa River - Flint Creek Levee District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

Iowa River – Flint Creek Levee District
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

- (a) An unqualified opinion was issued on the Schedule of Expenditures of Federal Awards which was prepared in conformity with an other comprehensive basis of accounting.
- (b) The audit disclosed non-compliance which is material to the Schedule of Expenditures of Federal Awards.
- (c) Significant deficiencies in internal control over the Public Assistance Grants program were disclosed by the audit of the Schedule of Expenditures of Federal Awards, including a material weakness.
- (d) A qualified opinion was issued on compliance with requirements applicable to the Public Assistance Grants program since the District did not comply with the requirements regarding the activities allowed or unallowed.
- (e) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance.

Iowa River – Flint Creek Levee District
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

CFDA Number 97.036: Disaster Grants – Public Assistance

Pass-through Agency Number: FEMA-1727-DR

Federal Award Year: 2009

U.S. Department of Homeland Security

**Passed through the Iowa Department of Public Defense – Iowa Homeland
Security and Emergency Management Division**

II-A-09 Activities Allowed or Unallowed – The activities allowed and the costs associated with these activities are explained in the scope of work section of the project worksheet completed by FEMA. The scope of work on project worksheet (PW) 9743 indicated it was to capture the costs of materials purchased by the District to conduct flood fight activities, the cost for contractors used to provide equipment, labor and street flaggers, placement of sand and rock to protect the levee and rental costs for various items rented from local vendors. The following two instances of non-compliance were noted:

The District requested the reimbursement of a sandbagger machine, a 4x4 John Deere Gator and a Kubota ATV at a total cost of \$37,027 on PW 9743. This was not allowed under the scope of work of the PW. The PW indicated FEMA gave the District two options. Under the first option, the cost of the equipment could be reimbursed but the District would be required to compensate FEMA for the fair value of the equipment upon completion of the project. The other option was for the District to be reimbursed for the hourly use of the equipment under PW 9840 instead of being reimbursed for the initial purchase of the equipment under PW 9743. The District decided on the latter option. However, FEMA reimbursed the District for the cost of the equipment purchased and also reimbursed the District for hourly usage under project worksheet 9840. This resulted in questioned costs of \$33,324, which is the federal portion (90%) of the equipment cost.

In addition, the District purchased a 20 foot trailer for \$2,103 to haul a skid loader during emergency flood fighting efforts and was reimbursed by FEMA for the purchase on PW 9743. The cost of the trailer does not appear to be allowable under the scope of work described in PW 9743. This resulted in questioned costs of \$1,893, which is the federal portion (90%) of the trailer cost.

Recommendation – The District should contact the Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division to determine the disposition of these items.

Response and Corrective Action Planned – The District will discuss this error with Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division to determine what should be done.

Iowa River – Flint Creek Levee District
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 97.036: Disaster Grants – Public Assistance

Pass-through Agency Number: FEMA-1727-DR

Federal Award Year: 2009

U.S. Department of Homeland Security

**Passed through the Iowa Department of Public Defense – Iowa Homeland
Security and Emergency Management Division**

II-B-09 Allowable Cost/Cost Principles – The District did not have adequate controls in place to ensure amounts claimed under the Disaster Grants – Public Assistance program were allowable costs and were not claimed under other project worksheets.

Recommendation – The District should establish procedures to ensure only allowable costs are included in amounts claimed on project worksheets.

Response and Corrective Action Planned – We will implement procedures to ensure costs claimed on project worksheets are allowable.

Conclusion – Response accepted.

II-C-09 Procurement Procedures – OMB Circular A-133 states the District is to follow state guidelines for procurement of goods and services. The Iowa Department of Public Defense, Iowa Homeland Security and Emergency Management Division required the District to follow 41 U.S.C. 403(11), which requires formal bids for purchases exceeding \$100,000 and informal bidding for purchases under \$100,000, including the retention of all quotes obtained. The District has not developed written procurement policies which meet the federal purchasing requirements.

Recommendation – The District should establish a written procurement policy which includes the federal requirements to ensure the proper procurement procedures are followed for all federal purchases.

Response and Corrective Action Planned – The District will develop a procurement policy and follow federal requirements to ensure the proper procedures are followed for all federal purchases.

Conclusion – Response accepted.

II-D-09 Suspension and Debarment – OMB Circular A-133 states the District is prohibited from contracting with or making awards under covered transactions to parties who are suspended or debarred. The District did not determine and has not established procedures to ensure transactions are with contractors or vendors who are not suspended or debarred.

Iowa River – Flint Creek Levee District
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recommendation – The District should establish and implement procedures to ensure federal transactions are with contractors or vendors who are not suspended or debarred.

Response and Corrective Action Planned – The District will implement a procedure to ensure contractors and vendors are not suspended or debarred.

Conclusion – Response accepted.

II-E-09 Equipment and Real Property Management – OMB Circular A-110 requires equipment purchased with federal funds to be identified separately within the equipment listing. The equipment listing should be reconciled to physical inventory of equipment at least once every two years. The District does not have a system in place to separately account for equipment purchased with federal funds. In addition, the District does not perform a physical inventory of equipment and reconcile to an equipment listing.

Recommendation – The District should develop a system to track equipment purchased with federal funds and reconcile the equipment records to physical inventory at least once every two years as required.

Response and Corrective Action Planned – The District does not have a specific inventory list of major equipment. However, a complete inventory list is maintained in the insurance file and annually reviewed by the District Trustees, administrator and insurance agent. The District will create a separate inventory list for all equipment and designate the equipment purchased with federal funds. The inventory listing will be reviewed at least once a year.

Conclusion – Response accepted.

Iowa River - Flint Creek Levee District
Public Assistance Grants

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Adam D. Steffensmeier, Staff Auditor
Stephanie A. Sissel, 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