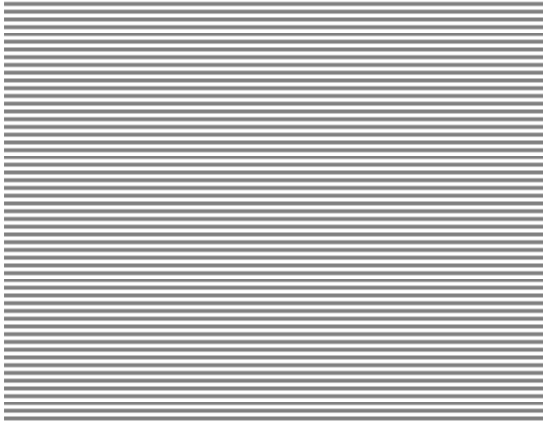


SAMPLE COMMUNITY ACTION AGENCY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2011

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State





OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 216A.98 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of community action agencies should be performed 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, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Chapter 11.6 of the Code of Iowa requires a review of internal control and testing of transactions for compliance.

This sample report has been prepared in conformity with U.S. generally accepted accounting principles as set forth in the AICPA Industry Audit and Accounting Guide, Not-For-Profit Organizations. The format shows the financial statements, supplementary information and reports on compliance and internal control which are necessary to meet the requirements of this office. The detail presented in the financial statements and supplemental information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the Agency feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Depreciation expense has been recognized in these financial statements as recommended by the Industry Audit and Accounting Guide and as required by Financial Accounting Standards Board Statement Number 93.

Agencies with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the Agency's cognizant or oversight agency.

In accordance with OMB Circular A-133, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <http://harvester.census.gov/sac>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated emails from the Federal Audit Clearinghouse as verification of the submission. In addition, reporting packages or notifications of audit should be submitted to grantor pass-through entities in accordance with the filing requirements of the Circular.

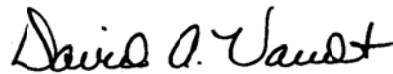
We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

In accordance with Chapter 216A.98 of the Code of Iowa, a copy of the report should also be filed with the Iowa Department of Human Rights, Division of Community Action Agencies, Lucas Building, 321 East 12th Street, Des Moines, Iowa 50319.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the Agency for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the Agency and a copy should be sent to this office with the two copies of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in this office.

In accordance with Chapter 11 of the Code of Iowa, this office is to be notified immediately regarding any suspected embezzlement or theft.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the state.



DAVID A. VAUDT, CPA
Auditor of State

Office of Auditor of State
Report Filing Requirements

Paper Copy Submission

Two paper copies of the audit report, including the management letter(s) if issued separately, are required to be filed with this office upon release to the Community Action Agency within nine months following the end of the fiscal year subject to audit. In addition to the copies of the audit report, a copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should be sent to:

Office of Auditor of State
State Capitol Building
Room 111
1007 East Grand Avenue
Des Moines, Iowa 50319-0001

Electronic Submission

The Agency or CPA firm must also email a PDF copy of the audit report to the Auditor of State's Office at:

SubmitReports@auditor.state.ia.us

If you are unable to e-mail the file, you may mail a CD containing the PDF file to this office. You may direct any questions about submitting the electronic copy of the audit report to:

Sample Community Action Agency

Outline of Major Changes

- A. Revised the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for implementation of SAS No. 117.

Additional Notes

1. Attached is a sample Corrective Action Plan for Federal Audit Findings (See **Sample A**) and a Summary Schedule of Prior Federal Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not required to be bound in the regular audit or filed with this office.
 2. The attached sample Corrective Action Plan refers the user to the entity's response to the auditor's comment for the detailed corrective action planned. If the entity's response to the auditor's comment does not include the details of its planned corrective action, this information should be included in the Corrective Action Plan itself.
 3. This sample report does not include a liability for other postemployment benefits or postretirement benefits other than pensions. If the Community Action Agency has an implicit or explicit other postemployment benefit or postretirement benefit other than pensions, the liability should be reported in accordance with GASB Statement No. 45 or FASB Statements No. 106 and 158, as applicable. Other sample reports issued by the Office of Auditor of State include other postemployment benefit liabilities reported in accordance with GASB Statement No. 45 and these reports can be used for guidance.
 4. This sample report does not include intangible assets. If the Community Action Agency has intangible assets, the assets should be reported in accordance with FASB Statement No. 142. Other sample reports issued by the Office of Auditor of State include other intangible assets reported in accordance with GASB Statement No. 51 and these reports can be used for guidance.
-

Sample A**Additional Notes (continued)**

Sample Entity

Corrective Action Plan for Federal Audit Findings

Year Ended September 30, 2011

| Comment Number | Comment Title | Corrective Action Plan | Contact Person, Title, Phone Number | Anticipated Date of Completion |
|----------------|---|---|---|--|
| III-A-11 | Unsupported Expenditures | The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs. | Tom Claim, Sample Entity Administrator, (515) YYY-XXXX | Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Department of Economic Development on October 13, 2011. |
| III-B-11 | Segregation of Duties over Federal Revenues | The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs. | Julie Ledger, Sample Entity Treasurer, (515) YYY-XXXX | October 28, 2011 |
| III-B-11 | Financial Reporting | As noted in our response to the auditor's comment, we have implemented an independent review process which requires review by the Sample Entity Program Director, effective immediately. In addition, beginning with the March, 2012 quarterly report, we will submit federal financial reports within the required time frame. | Joe Smith, Program Director, (515) YYY-XXXX | Review procedures have been implemented. Timely report filing will begin with the quarter ending March, 2012. |

Additional Notes (continued)**Sample B**

Sample Entity

Summary Schedule of Prior Federal Audit Findings

Year ended September 30, 2011

| Comment Reference | Comment Title | Status | If not corrected, provide planned corrective action or other explanation |
|----------------------------------|---|---|--|
| III-C-08 III-B-09 III-B-10 | Minority Business Enterprise/ Women Business Enterprise (MBE/WBE) | No longer valid; does not warrant further action. | Over two years have passed since the reporting of this audit finding. The Grantor Agency has not followed up on this finding, nor has a management decision been issued on their part. |
| III-A-09 III-A-10 | Segregation of Duties over Federal Reserves | Not corrected. | Plan to segregate duties for custody, recordkeeping and reconciling among Sample Entity staff. |
| III-C-09 III-C-10 | Fixed Assets | Corrective action taken. | |
| III-D-10 | Financial Reporting | Partially corrected. | Review procedures have been implemented. Timely report filing will begin with the quarter ending March, 2012. |



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

Contact:

FOR RELEASE _____

Auditor of State David A. Vaudt today released an audit report on Sample Community Action Agency, Anywhere, Iowa.

The Agency had revenues of \$_____ for the year ended September 30, 2011, a(n) _____ % increase (decrease) from the prior year, and included \$_____ from governmental funding sources, \$_____ from in-kind contributions and \$_____ from other sources.

Expenses for the Agency totaled \$_____, a(n) _____ % increase (decrease) from the prior year. Expenses for programs administered by the Agency include \$_____ for _____ a_____, \$_____ for _____ b_____ and \$_____ for _____ c_____. (a,b,c - program categories with the three highest expense totals.)

The significant increase (decrease) in revenues and expenses is due primarily to _____.

A copy of the audit report is available for review in the Agency's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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SAMPLE COMMUNITY ACTION AGENCY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2011

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Sample Community Action Agency

Board of Directors

Executive Board of Directors

| | |
|---------------------|----------------|
| Arthur B. Clapsdale | President |
| Darlene E. Fox | Vice-President |
| Georgia H. Isaacs | Secretary |
| John K. Lloyd | Treasurer |

Board Members

| County | Representing | | |
|---------|------------------|-------------------|---------------------|
| | Government | Low-Income | Private |
| Alpha | Mark N. Oberly | Paula Q. Reems | John K. Lloyd |
| Beta | Steve T. Uber | Georgia H. Isaacs | Victoria W. Yates |
| Epsilon | Darlene E. Fox | Adam B. Cooper | Diana E. Flint |
| Omega | Gilbert H. Ibsen | Joan K. Lange | Arthur B. Clapsdale |

Agency Officials

| | |
|-----------------|--------------------|
| Marlon N. Page | Executive Director |
| Ruth Q. Stevens | Fiscal Director |

Sample Community Action Agency



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Board of Directors of
Sample Community Action Agency:

We have audited the accompanying statement of financial position of Sample Community Action Agency as of September 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Sample Community Action Agency's management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sample Community Action Agency at September 30, 2010 and the changes in its net assets and its cash flows 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 November 17, 2011 on our consideration of Sample Community Action Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over 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 an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

November 17, 2011

Sample Community Action Agency

Financial Statements

Exhibit A

Sample Community Action Agency

Statement of Financial Position
All Funds

September 30, 2011

| | Admin- istrative Fund | Program Funds | Plant Fund | Total |
|---|-----------------------------|------------------|---------------|----------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 247,645 | 172,453 | 1,720 | 421,818 |
| Receivables: | | | | |
| Grantor agencies | - | 108,096 | - | 108,096 |
| Other sources | 16,783 | 1,321 | - | 18,104 |
| Other funds | 9,079 | - | - | 9,079 |
| Inventory | - | 21,644 | - | 21,644 |
| Property and equipment at cost, less accumulated depreciation of \$144,482 (note 2) | - | - | 64,785 | 64,785 |
| Total assets | \$ 273,507 | 303,514 | 66,505 | 643,526 |
| Liabilities and Net Assets | | | | |
| Liabilities: | | | | |
| Payables: | | | | |
| Accounts | \$ 1,428 | 126,967 | 1,720 | 130,115 |
| Grantor agencies | - | 6,925 | - | 6,925 |
| Salaries and benefits | 16,252 | 47,948 | - | 64,200 |
| Other funds | - | 9,079 | - | 9,079 |
| Deferred revenue | - | 112,595 | - | 112,595 |
| Compensated absences | 50,231 | - | - | 50,231 |
| Total liabilities | 67,911 | 303,514 | 1,720 | 373,145 |
| Net assets: | | | | |
| Unrestricted | 205,596 | - | 64,785 | 270,381 |
| Total liabilities and net assets | \$ 273,507 | 303,514 | 66,505 | 643,526 |

See notes to financial statements.

Sample Community Action Agency

Statement of Activities
All Funds

Year ended September 30, 2011

| | Admin- istrative Fund | Program Funds | Plant Fund | Total |
|---|-----------------------------|------------------|---------------|------------------|
| Revenues: | | | | |
| Governmental funding sources: | | | | |
| Iowa Department of Human Rights | \$ - | 2,434,777 | - | 2,434,777 |
| U.S. Department of Health and Human Services | - | 532,522 | - | 532,522 |
| Iowa Department of Public Health | - | 155,952 | - | 155,952 |
| Iowa Department of Education | - | 211,304 | - | 211,304 |
| In-kind contributions | - | 150,681 | - | 150,681 |
| Public support and donations | 19,322 | - | - | 19,322 |
| Investment in plant | - | - | 35,054 | 35,054 |
| Miscellaneous | 13,179 | 4,010 | - | 17,189 |
| Total revenues | 32,501 | 3,489,246 | 35,054 | 3,556,801 |
| Expenses: | | | | |
| Community Services Block Grant (CSBG) | - | 309,522 | - | 309,522 |
| Low Income Home Energy Assistance Program (LIHEAP) | - | 1,611,985 | - | 1,611,985 |
| Head Start | - | 687,148 | - | 687,148 |
| Weatherization Assistance for Low-Income Persons | - | 493,270 | - | 493,270 |
| Child and Adult Care Food Program | - | 211,369 | - | 211,369 |
| Women, Infants and Children (WIC) | - | 155,952 | - | 155,952 |
| Emergency Community Services for the Homeless | - | 20,000 | - | 20,000 |
| Administration | 28,729 | - | - | 28,729 |
| Depreciation | - | - | 23,966 | 23,966 |
| Disposal of assets | - | - | 6,008 | 6,008 |
| Total expenses | 28,729 | 3,489,246 | 29,974 | 3,547,949 |
| Change in net assets from operations | 3,772 | - | 5,080 | 8,852 |
| Other changes in net assets: | | | | |
| Investment income | 25,157 | - | - | 25,157 |
| Change in net assets | 28,929 | - | 5,080 | 34,009 |
| Net assets beginning of year | 176,667 | - | 59,705 | 236,372 |
| Net assets end of year | \$ 205,596 | - | 64,785 | 270,381 |

See notes to financial statements.

Exhibit C

Sample Community Action Agency
Statement of Functional Expenses
Administrative Fund and Program Funds

Year ended September 30, 2011

| | Admin- istrative Fund | Program Funds | Total |
|---|-----------------------------|------------------|-----------|
| Salaries | \$ 153,217 | 550,451 | 703,668 |
| Benefits and taxes | 35,367 | 125,391 | 160,758 |
| Assistance to individuals | - | 1,849,493 | 1,849,493 |
| Professional fees and contractual services | 1,856 | 173,730 | 175,586 |
| Travel | 12,165 | 36,096 | 48,261 |
| Occupancy | 9,808 | 135,791 | 145,599 |
| Utilities and telephone | 6,672 | 20,379 | 27,051 |
| Supplies and materials | 9,766 | 46,011 | 55,777 |
| Equipment | 12,356 | 23,698 | 36,054 |
| Printing, publications and postage | 12,367 | 13,615 | 25,982 |
| Insurance | 1,497 | 18,825 | 20,322 |
| In-kind: | | | |
| Labor | - | 68,589 | 68,589 |
| Materials | - | 30,315 | 30,315 |
| Food | - | 51,777 | 51,777 |
| Miscellaneous | 17,206 | 101,537 | 118,743 |
| | | | |
| Total expenses before allocation of indirect costs | 272,277 | 3,245,698 | 3,517,975 |
| | | | |
| Allocation of indirect costs | (243,548) | 243,548 | - |
| | | | |
| Total expenses | \$ 28,729 | 3,489,246 | 3,517,975 |

See notes to financial statements.

Sample Community Action Agency
Statement of Cash Flows
Administrative Fund and Program Funds

Year ended September 30, 2011

| | |
|---|--------------|
| Cash flows from operating activities: | |
| Cash received from state agencies | \$ 2,760,060 |
| Cash received from federal grantor | 533,522 |
| Contributions received | 173,330 |
| Other receipts | 13,862 |
| Cash paid to employees and suppliers | (3,488,142) |
| | |
| Net cash used for operating activities | (7,368) |
| Cash flows from investing activities: | |
| Interest received | 25,157 |
| | |
| Net increase in cash and cash equivalents | 17,789 |
| Cash and cash equivalents beginning of year | 402,309 |
| | |
| Cash and cash equivalents end of year | \$ 420,098 |
| | |
| Reconciliation of change in net assets from operations | |
| to net cash used for operating activities: | |
| Change in net assets from operations | \$ 3,772 |
| Adjustments to reconcile change in net assets from operations | |
| to net cash used for operating activities: | |
| Increase in accounts receivable | (4,300) |
| Decrease in accounts payable | (2,493) |
| Decrease in salaries payable | (4,347) |
| | |
| Net cash used for operating activities | \$ (7,368) |
| | |

See notes to financial statements.

Sample Community Action Agency

Notes to Financial Statements

September 30, 2011

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Sample Community Action Agency, a not-for-profit corporation, is a community action agency serving the Iowa counties of Alpha, Beta, Epsilon and Omega. Sample Community Action Agency is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes.

Sample Community Action Agency administers various programs funded by federal, state and local governmental bodies. Each program is accounted for as a separate fund.

The Agency's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

B. Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are summarized as follows in the financial statements:

Administrative Fund – The Administrative Fund represents funds derived from local sources such as donations, rents and miscellaneous activities. The Agency's overall management and administrative expenses are charged to this fund and then allowable indirect costs are allocated to the various programs which the Agency administers.

Program Funds – Program Funds are used to account for revenues and expenses contractually restricted by the funding source for specific purposes.

Plant Fund – The Plant Fund is used to accumulate the net investment in fixed assets and to account for the unexpended resources contributed specifically for the purpose of acquiring property and equipment for the Agency.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the funds and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of property and equipment providing future benefits are recorded as expenses in the program at the time of purchase and capitalized in the plant fund.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Financial Position:

Cash and Cash Equivalents – The Agency considers demand deposits and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables from Grantor Agencies – Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Receivables from grantor agencies represent an excess of expenses over cash basis reimbursements at year end.

Receivables/Payables from Other Funds – During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. To the extent certain transactions between funds had not been paid or received as of September 30, 2011, balances of interfund amounts receivable or payable have been recorded.

Inventory – Inventory is valued at the lower of cost or market. Cost is determined on the first-in, first-out basis. Inventories are recorded as expenses when consumed rather than when purchased.

Property and Equipment – Property and equipment are valued at historical cost. Donated assets are valued at their estimated fair value on the date of donation.

Property and equipment purchased are recorded as expenses in the fund purchasing the asset. The purchases are then capitalized in the Plant Fund accumulating the net investment in property and equipment. Depreciation has been provided in the Plant Fund using the straight-line method over the estimated useful lives of the respective assets, generally 3 to 40 years. The depreciated cost of the property and equipment does not purport to be either a realizable value or a replacement value.

Expenses for maintenance, repair and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized. The cost of assets disposed of is deleted. No interest costs were capitalized since there were no qualifying assets.

Deferred Revenue – Deferred revenue represents an excess of cash advances by the funding source over accrued expenses at year end.

Compensated Absences – Employees of the Agency accumulate a limited amount of earned but unused vacation payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities of the Administrative Fund. This liability has been computed based on rates of pay in effect at September 30, 2011.

F. In-Kind Contributions

The Agency recognizes donated labor, services, materials and rent-free usage of facilities and equipment as in-kind revenues at the time the services and materials are received. These in-kind contributions and the corresponding expense are valued at their estimated fair market value and recognized in the financial statements in accordance with grant requirements.

G. Cost Allocation

The Agency utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Costs which are common to more than one program have been identified and classified into cost pools. These cost pools have been allocated to the programs based on formulas developed by the Agency for each pool.

H. Total Column

The total column on the Statement of Financial Position and the Statement of Activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation.

(2) Property and Equipment

A summary of property and equipment comprising the Plant Fund, categorized by acquiring program/source, is as follows at September 30, 2011:

| Acquiring Program/Source | Buildings | Vehicles | Equipment | Total |
|--|-----------|----------|-----------|---------|
| Community Services Block Grant | \$ - | - | 1,695 | 1,695 |
| Head Start | - | 66,309 | 40,670 | 106,979 |
| Weatherization Assistance for Low-Income Persons | - | 20,980 | 15,400 | 36,380 |
| Women, Infants and Children | - | - | 7,985 | 7,985 |
| General Agency | 42,821 | - | 13,407 | 56,228 |
| Total cost | 42,821 | 87,289 | 79,157 | 209,267 |
| Less accumulated depreciation | 3,942 | 77,687 | 62,853 | 144,482 |
| Net | \$ 38,879 | 9,602 | 16,304 | 64,785 |

The components of the Agency's accumulated depreciation at September 30, 2011 are as follows:

| Component | Buildings | Vehicles | Equipment | Total |
|-------------------------------------|-----------|----------|-----------|---------|
| Balance beginning of year | \$ 1,688 | 64,884 | 59,952 | 126,524 |
| Current year depreciation | 2,254 | 12,803 | 8,909 | 23,966 |
| Disposal of fully depreciated asset | - | - | (6,008) | (6,008) |
| Balance end of year | \$ 3,942 | 77,687 | 62,853 | 144,482 |

(3) Pension and Retirement Benefits

The Agency maintains a defined contribution retirement plan authorized by the Agency's by-laws which is administered by XYZ Insurance Company. The plan is available to all employees who have completed one and one-half years of service.

Under the terms of the plan, the Agency contributes an amount equal to 6% of the annual salary for each employee participating in the plan. Additionally, each plan participant must contribute 3% of their annual salary and all such payments are accumulated and invested for individual participants of the plan. Amounts credited to individual participants are 100% vested immediately. The accumulated monies are paid upon a participant's retirement or termination.

For the year ended September 30, 2011, the Agency's required and actual contributions were \$37,998, which is 6% of its current year covered payroll of \$633,301. Employees' required and actual contributions were \$18,999, which is 3% of the Agency's current year covered payroll. The Agency's total current year payroll for all employees was \$703,668.

(4) Risk Management

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Supplementary Information

Sample Community Action Agency

Schedule of Financial Position
Program Funds

September 30, 2011

| | Community Services Block Grant | Low-Income Home Energy Assistance Program | Head Start |
|---|---|--|---------------|
| Assets | | | |
| Cash and cash equivalents | \$ 32,634 | 4,161 | 65,143 |
| Receivables: | | | |
| Grantor agencies | - | 51,650 | - |
| Other sources | 39 | 796 | 486 |
| Other funds | 4,668 | - | - |
| Inventory | - | - | - |
| Total assets | \$ 37,341 | 56,607 | 65,629 |
| Liabilities and Net Assets | | | |
| Liabilities: | | | |
| Payables: | | | |
| Accounts | \$ 5,420 | 51,728 | 7,905 |
| Grantor agencies | - | - | 587 |
| Salaries and benefits | 18,995 | 3,836 | 17,278 |
| Other funds | - | 1,043 | 4,873 |
| Deferred revenue | 12,926 | - | 34,986 |
| Total liabilities | 37,341 | 56,607 | 65,629 |
| Net assets | - | - | - |
| Total liabilities and net assets | \$ 37,341 | 56,607 | 65,629 |

See accompanying independent auditor's report.

| Weatherization Assistance for Low-Income Persons | Child and Adult Care Food Program | Special Supplemental Nutrition Program For Women, Infants and Children | Interfund Elimination | Total |
|--|-----------------------------------|--|-----------------------|---------|
| 78,832 | (9,389) | 1,072 | - | 172,453 |
| - | 43,450 | 12,996 | - | 108,096 |
| - | - | - | - | 1,321 |
| - | 3,557 | - | (8,225) | - |
| 21,644 | - | - | - | 21,644 |
| 100,476 | 37,618 | 14,068 | (8,225) | 303,514 |
| 23,628 | 36,530 | 1,756 | - | 126,967 |
| 6,338 | - | - | - | 6,925 |
| 3,247 | 1,088 | 3,504 | - | 47,948 |
| 2,580 | - | 8,808 | (8,225) | 9,079 |
| 64,683 | - | - | - | 112,595 |
| 100,476 | 37,618 | 14,068 | (8,225) | 303,514 |
| - | - | - | - | - |
| 100,476 | 37,618 | 14,068 | (8,225) | 303,514 |

Sample Community Action Agency

Schedule of Activities
Program Funds

Year ended September 30, 2011

| | Community Services Block Grant | Low-Income Home Energy Assistance Program | Head Start |
|--|---|--|----------------|
| Revenues: | | | |
| Governmental funding sources: | | | |
| Iowa Department of Human Rights | \$ 309,522 | 1,611,985 | - |
| U.S. Department of Health and Human Services | - | - | 532,522 |
| Iowa Department of Public Health | - | - | - |
| Iowa Department of Education | - | - | - |
| In-kind contributions | - | - | 150,681 |
| Miscellaneous | - | - | 3,945 |
| Total revenues | <u>309,522</u> | <u>1,611,985</u> | <u>687,148</u> |
| Expenses: | | | |
| Salaries | 93,577 | 71,559 | 148,622 |
| Benefits and taxes | 19,494 | 12,805 | 33,563 |
| Assistance to individuals | - | 1,457,421 | - |
| Professional fees and contractual services | 56,399 | - | 50,067 |
| Travel | 8,334 | 1,331 | 10,709 |
| Occupancy | 13,065 | 12,291 | 102,530 |
| Utilities and telephone | 4,562 | 3,993 | 6,933 |
| Supplies and materials | 4,059 | 3,675 | 29,769 |
| Equipment | 5,861 | 410 | 2,737 |
| Printing, publications and postage | 6,814 | 4,704 | - |
| Insurance | 315 | 660 | 9,129 |
| In-kind: | | | |
| Labor | - | - | 68,589 |
| Materials | - | - | 30,315 |
| Food | - | - | 51,777 |
| Miscellaneous | 5,610 | 2,441 | 79,914 |
| Total expenses before allocation of indirect costs | <u>218,090</u> | <u>1,571,290</u> | <u>624,654</u> |
| Allocation of indirect costs | 91,432 | 40,695 | 62,494 |
| Total expenses | <u>309,522</u> | <u>1,611,985</u> | <u>687,148</u> |
| Change in net assets | - | - | - |
| Net assets beginning of year | - | - | - |
| Net assets end of year | <u>\$ -</u> | <u>-</u> | <u>-</u> |

See accompanying independent auditor's report.

| Weatherization Assistance for Low-Income Persons | Child and Adult Care Food Program | Special Supplemental Nutrition Program For Women, Infants and Children | Interfund Elimination | Total |
|--|-----------------------------------|--|-----------------------|-----------|
| 493,270 | - | - | 20,000 | 2,434,777 |
| - | - | - | - | 532,522 |
| - | - | 155,952 | - | 155,952 |
| - | 211,304 | - | - | 211,304 |
| - | - | - | - | 150,681 |
| - | 65 | - | - | 4,010 |
| 493,270 | 211,369 | 155,952 | 20,000 | 3,489,246 |
| 137,613 | 16,513 | 82,567 | - | 550,451 |
| 33,552 | 6,949 | 19,028 | - | 125,391 |
| 196,321 | 175,751 | - | 20,000 | 1,849,493 |
| 57,713 | - | 9,551 | - | 173,730 |
| 1,480 | 1,691 | 12,551 | - | 36,096 |
| - | 1,480 | 6,425 | - | 135,791 |
| 1,973 | 1,057 | 1,861 | - | 20,379 |
| 3,946 | 3,171 | 1,391 | - | 46,011 |
| 14,304 | - | 386 | - | 23,698 |
| - | - | 2,097 | - | 13,615 |
| 7,399 | 106 | 1,216 | - | 18,825 |
| - | - | - | - | - |
| - | - | - | - | 68,589 |
| - | - | - | - | 30,315 |
| - | - | - | - | 51,777 |
| 10,853 | 846 | 1,873 | - | 101,537 |
| 465,154 | 207,564 | 138,946 | 20,000 | 3,245,698 |
| 28,116 | 3,805 | 17,006 | - | 243,548 |
| 493,270 | 211,369 | 155,952 | 20,000 | 3,489,246 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |

Schedule 3

Sample Community Action Agency
 Schedule of Expenditures of Federal Awards
 Year ended September 30, 2011

| Grantor/Program | CFDA Number | Agency Pass-through Number | Program Expenditures |
|---|----------------|----------------------------------|-------------------------|
| Direct: | | | |
| U.S. Department of Health and Human Services: | | | |
| Head Start | 93.600 | 11CH 6020(33) | \$ 202,358 |
| Head Start | 93.600 | 11CH 6020(35) | 330,164 |
| Total direct | | | <u>532,522</u> |
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Public Health: | | | |
| Special Supplemental Nutrition Program for Women, Infants and Children | 10.557 | 5888A048 | <u>155,952</u> |
| Iowa Department of Education: | | | |
| Child and Adult Care Food Program | 10.558 | 85-9012 | <u>211,304</u> |
| U.S. Department of Energy: | | | |
| Iowa Department of Human Rights: | | | |
| ARRA - Weatherization Assistance for Low-Income Persons | 81.042 | DOE-11-17 | 10,000 |
| Weatherization Assistance for Low-Income Persons | 81.042 | DOE-11-17 | 253,702 |
| Weatherization Assistance for Low-Income Persons | 81.042 | DOE-10-17 | 2,664 |
| | | | <u>266,366</u> |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Human Rights: | | | |
| Temporary Assistance for Needy Families | 93.558 | FaDSS-11-10-FM | 20,000 |
| Low-Income Home Energy Assistance | 93.568 | HEAP-10-17-00 | 1,385,081 |
| Low-Income Home Energy Assistance | 93.568 | HEAP-11-17-01 | 226,904 |
| | | | <u>1,611,985</u> |
| Community Services Block Grant | 93.569 | CSBG-11-17 | 309,522 |
| Total indirect | | | <u>2,575,129</u> |
| Total | | | <u>\$ 3,107,651</u> |

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sample Community Action Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A 133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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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 Board of Directors of
Sample Community Action Agency:

We have audited the financial statements of Sample Community Action Agency, Anywhere, Iowa, as of and for the year ended September 30, 2011, and have issued our report thereon dated November 17, 2011. 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

In planning and performing our audit, we considered Sample Community Action Agency'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 Sample Community Action Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sample Community Action Agency'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 and Questioned Costs, 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 Agency's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11 and II-D-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Agency's operations for the year ended September 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sample Community Action Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Agency's responses, we did not audit Sample Community Action Agency'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 Sample Community Action Agency and other parties to whom Sample Community Action Agency may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sample Community Action Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

November 17, 2011

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Sample Community Action Agency



OFFICE OF AUDITOR OF STATE

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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Board of Directors of
Sample Community Action Agency:

Compliance

We have audited Sample Community Action Agency's compliance, with the types of compliance requirements described in U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Sample Community Action Agency's major federal programs for the year ended September 30, 2011. The Agency's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency'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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 compliance with those requirements.

In our opinion, Sample Community Action Agency complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items III-A-11 and III-B-11.

Internal Control Over Compliance

The management of the Agency 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 Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over

compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of Sample Community Action Agency's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sample Community Action Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in the Agency's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-11 to be a material weakness.

Sample Community Action Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Agency's responses, we did not audit Sample Community Action Agency'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 Sample Community Action Agency and other parties to whom Sample Community Action Agency may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA
Auditor of State

November 17, 2011

Sample Community Action Agency
Schedule of Findings and Questioned Costs
Year ended September 30, 2011

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 93.568 – Low-Income Home Energy Assistance
 - CFDA Number 93.569 – Community Services Block Grant
 - CFDA Number 93.600 – Head Start
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sample Community Action Agency did not qualify as a low-risk auditee.

Sample Community Action Agency
Schedule of Findings and Questioned Costs
Year ended September 30, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response and Corrective Action Planned – We have reviewed procedures and plan to make the necessary changes to improve internal control. Duties will be distributed appropriately among office employees. We plan to implement the changes by November 30, 2011.

Conclusion – Response accepted.

II-B-11 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the Agency's financial statements. Adjustments were subsequently made by the Agency to properly include these amounts in the financial statements.

Recommendation – The Agency should implement procedures to ensure all receivables and payables are identified and included in the Agency's financial statements.

Response – We will double check these in the future to avoid missing any receivables or payables.

Conclusion – Response accepted.

II-C-11 Inventory Reconciliation – The Agency did not prepare a monthly reconciliation of inventory.

Recommendation – Control over inventory would be strengthened if a monthly reconciliation between book inventory and physical inventory were performed. All variances should be investigated and resolved in a timely manner.

Response – A reconciliation will be performed monthly. We plan to implement this procedure by November 30, 2011.

Conclusion – Response accepted.

Sample Community Action Agency
Schedule of Findings and Questioned Costs
Year ended September 30, 2011

II-D-11 Property and Equipment – Equipment is occasionally moved from one location to another without following the established procedures to inform the property officer.

Recommendation – Before equipment is moved, written authorization should be obtained from the property officer.

Response – We will enforce authorization before equipment is transferred to another location. We will implement this procedure by November 30, 2011.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sample Community Action Agency
Schedule of Findings and Questioned Costs
Year ended September 30, 2011

Part III: Findings and Questioned Cost for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

CFDA Number 93.568 – Low-Income Home Energy Assistance
Pass-through Numbers: HEAP-10-17-00 and HEAP-11-17-01
Federal Award Year: 2010 and 2011
U.S. Department of Health and Human Services
Passed through the Iowa Department of Human Rights

CFDA Number 93.600 – Head Start
Agency Numbers: 11CH 6020(33) and 11CH 6020(35)
Federal Award Years: 2010 and 2011
U.S. Department of Health and Human Services

III-A-11 Cost Allocation – In determining the unit costs for the various expenses for the cost allocation plan, the Agency includes an amount for utilities. The Agency received an \$11,200 refund from one of the utility companies which was not included as a reduction of the costs to be allocated.

According to OMB Circular A-122, Cost Principles for Non-profit Organizations, costs charged to a federal program should be net of all applicable credits.

Recommendation – The Agency should revise its procedures to ensure costs are net of all applicable credits. In addition, appropriate refunds or adjustments should be made to comply with the regulations.

Response and Corrective Action Planned – This was an oversight. We plan to revise our procedures by November 30, 2011 and appropriate refunds or adjustments will be made.

Conclusion – Response accepted.

CFDA Number 93.569 – Community Services Block Grant
Pass-through Number: CSBG-11-17
Federal Award Year: 2011
U.S. Department of Health and Human Services
Passed through the Iowa Department of Human Rights

III-B-11 Lobbying – The Agency contributed \$12,350 of Community Services Block Grant (CSBG) funds to a national political action committee.

In accordance with OMB Circular A-122, Cost Principles for Non-profit Organizations, contributing to or paying the expenses of a political action committee are not allowable.

Recommendation – The Agency should seek reimbursement of the unallowable contributions and should discontinue use of CSBG funds for lobbying purposes in accordance with the regulations.

Sample Community Action Agency
Schedule of Findings and Questioned Costs
Year ended September 30, 2011

Response and Corrective Action Planned – We will seek reimbursement by January 1 and will discontinue such payments in the future.

Conclusion – Response accepted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 93.568 – Low-Income Home Energy Assistance
Pass-through Numbers: HEAP-10-17-00 and HEAP11-17-01
Federal Award Year: 2010 and 2011
U.S. Department of Health and Human Services
Passed through the Iowa Department of Human Rights

CFDA Number 93.600 – Head Start
Agency Numbers: 11CH 6020(33) and 11CH 6020(35)
Federal Award Years: 2010 and 2011
U.S. Department of Health and Human Services

III-C-11 Segregation of Duties over Federal Revenues – The Agency did not properly segregate custody, record-keeping and reconciling functions for revenues, including those related to federal programs. See item II-A-11.

Sample Community Action Agency
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Questionable Expenditures – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

| Paid to | Purpose | Amount |
|-------------------|-----------------------------------|--------|
| Local Flower Shop | Flower arrangements for gift | \$ 332 |
| Local Quick Shop | Pop and food for Agency employees | 239 |

Recommendation – According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The Board of Directors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Agency should establish written policies and procedures, including requirements for proper documentation.

Response – We will document this in the future.

Conclusion – Response accepted.

IV-B-11 Deposit and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency’s investment policy were noted, except as follows:

A resolution naming official depositories has not been adopted by the Agency.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response – A resolution naming official depositories with sufficient amounts was adopted by the Agency on October 14, 2011 and will be reviewed by the Agency annually.

Conclusion – Response accepted.

Sample Community Action Agency

Staff

This audit was performed by:

John Q. Review, CPA, Manager
Margo Setter, CPA, Senior Auditor
Jerome Warning, CPA, Senior Auditor
Terry Tickmark, CPA, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State