

This guide is provided in accordance with Chapter 11.6(7) of the Code of Iowa. Use of this guide in your practice requires a proper implementation of professional standards. This guide is not a substitute for an understanding of the applicable professional standards. While this guide has been reviewed internally by CPAs within the Auditor of State's Office and is subject to outside peer review every three years, the guide has not undergone an external Quality Control Material Review or Examination.

SAMPLE SUBSTANCE ABUSE COUNCIL

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

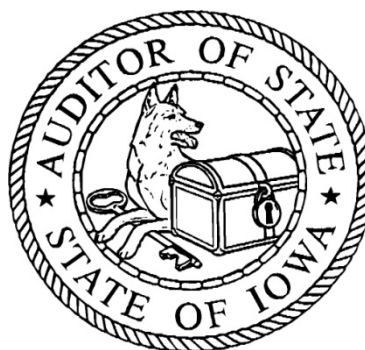
JUNE 30, 2022

==== Office of ====

AUDITOR
OF STATE

State Capitol Building • Des Moines, Iowa

=====



Rob Sand
Auditor of State



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Practitioners:

This sample report is presented by the Office of Auditor of State as required by Chapter 125.55 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 licensed substance abuse programs 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, Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

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 the Schedule of Findings and Questioned Costs which are necessary to meet the requirements of this Office. The detail presented in the financial statements and supplementary information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the Council 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.

Councils with \$750,000 or more of federal expenditures are required to receive a Single Audit in accordance with the Uniform Guidance. Any questions concerning Single Audit requirements should be directed to the entity's cognizant or oversight agency.

In accordance with the Uniform Guidance, 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 <https://harvester.census.gov/facweb/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated e-mails from the Federal Audit Clearinghouse as verification of the submission.

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 125.55 of the Code of Iowa, a copy of the report should also be filed with the Director of the Iowa Department of Public Health, Division of Behavioral Health, Lucas Building, 321 East 12th Street, Des Moines, Iowa 50319.

As required by Chapter 11.14 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 Council for the notification. We have developed a standard news release to be used for this purpose. The news release (paper copy or electronic format) may be completed by the CPA firm or the Council and submitted to this Office with a **text-searchable** electronic copy of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make the audit report and news release available to the news media in this Office.

In accordance with Chapter 11.6(7) of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or other significant financial irregularities.

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.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

Office of Auditor of State

Report Filing Requirements

Report – The Substance Abuse Council or CPA firm is required to submit an electronic, **text-searchable**, PDF copy of the audit report, including the management letter(s) if issued separately, with this Office upon release to the Council within nine months following the end of the fiscal year subject to audit. Text-searchable files are required for the following reasons:

- The files created are much smaller in size than scanned-image files. Accordingly, text-searchable files require less storage space.
- Text-searchable files are required by the Census bureau when submitting Data Collection Forms and Single Audit reporting packages (i.e., consistent with Federal requirements).
- Text-searchable files provide transparency to the public.

Per Diem Audit Billing & News Release – 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 also be submitted. These items can be submitted as either paper copies or electronic copies.

Submission – Electronic submission (text-searchable PDF) of the audit report, per diem audit billing and news release should be e-mailed to SubmitReports@AOS.iowa.gov.

If you are unable to e-mail the PDF files, you may mail a CD containing the files to this Office. You may direct any questions about submitting electronic files to the above e-mail address.

Paper copies (if not submitted electronically) of the per diem audit billing and news release should be sent to the following address:

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

Sample Substance Abuse Council

Outline of Major Changes

- A. Updated the Independent Auditor's Report for form and content to comply with Statement on Auditing Standards No. 134
- B. Added language for each type of finding whether material weakness or significant deficiency in the 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.
- C. Added language to represent each type of finding whether material weakness or significant deficiency in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.
- D. Changed comment numbers to be fiscal year and number for comments in Part II and Part III and fiscal year and letter for comments in Part IV.

Additional Notes

1. Attached is a sample Corrective Action Plan for Audit Findings (See **Sample A**) and a sample Summary Schedule of Prior Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not intended to match the findings shown in the sample entity nor are they required to be filed with this Office.
 2. This sample report does not include a liability for other postemployment benefits or postretirement benefits other than pensions. If the Council has an implicit or explicit other postemployment benefit or postretirement benefit other than pensions, the liability should be reported in accordance with FASB guidance. Other sample reports issued by the Office of Auditor of State include other postemployment benefit liabilities reported in accordance with GASB Statement No. 75 and these reports may be used for guidance.
 3. This sample report does not include intangible assets. If the Council has intangible assets, the assets should be reported in accordance with similar FASB guidance. Other sample reports issued by the Office of Auditor of State include intangible assets reported in accordance with GASB Statement No. 51 and these reports may be used for guidance.
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Additional Notes (continued)

Sample A

Sample Substance Abuse Council

Corrective Action Plan

Year Ended June 30, 2022

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
2022-001	Segregation of Duties	We have reviewed procedures and plan to make the necessary changes to improve internal control.	Julie Ledger, Treasurer, (515) YYY-XXXX	November 2, 2022
2022-002	Financial Reporting	We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.	Tom Claim, Administrator, (515) YYY-XXXX	November 2, 2022
2022-003	Unsupported Expenditures	We will revise our procedures so documentation (e.g., invoices and time cards) is maintained to support federal expenditures. We returned the \$25,589 of questioned costs to the Iowa Economic Development Authority on November 3, 2022.	Tom Claim, Administrator, (515) YYY-XXXX	Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Economic Development Authority on November 3, 2022.
2022-004	Segregation of Duties over Federal Revenues	We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, to custody, record-keeping and reconciling functions currently performed by the Deputy Treasurer will be separated and spread among the Treasurer, Deputy Treasurer and Clerk.	Julie Ledger, Treasurer, (515) YYY-XXXX	November 2, 2022
2022-005	Financial Reporting	We have implemented an independent review process which requires review by the Program Director, effective immediately. In addition, beginning with the December 2022 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 December 2022.

In accordance with Uniform Guidance Section 200.511(a), the Corrective Action Plan must include findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.

Additional Notes (continued)

Sample B

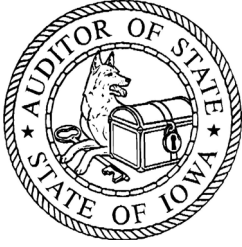
Sample Substance Abuse Council

Summary Schedule of Prior Audit Findings

Year ended June 30, 2022

Comment Reference	Comment Title	Status	If not corrected, provide reason for finding's recurrence and planned corrective action or other explanation
2019-001 2020-001 2021-001	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 its part.
II-A-20 2020-002 II-A-21 2021-002	Segregation of Duties over Federal Revenues	Not corrected.	Limited staff resulting from staff turnover. Plan to segregate duties for custody, recordkeeping and reconciling among staff when positions are filled.
II-B-20 II-B-21	Capital Assets	Corrective action taken.	
2021-003	Financial Reporting	Partially corrected.	Time was necessary to develop and implement review procedures. Timely report filing will begin with the quarter ending December 2022.

In accordance with Uniform Guidance Section 200.511(a), the Summary Schedule of Prior Audit Findings must also include findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

State Capitol Building
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NEWS RELEASE

Contact:

FOR RELEASE _____

Auditor of State Rob Sand today released an audit report on Sample Substance Abuse Council, Anywhere, Iowa.

FINANCIAL HIGHLIGHTS:

The Council had public support and revenues of \$_____ for the year ended June 30, 2022, which was a(n) _____ % increase (decrease) from the prior year. Expenses for the Council's operations for the year ended June 30, 2022 totaled \$_____, a(n) _____ % increase (decrease) from the prior year. The significant increase (decrease) in revenues and expenses is due primarily to _____.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and expenditure of Sample Substance Abuse Council funds. They are found on pages 30 through 33 of this report. The findings address issues such as a lack of segregation of duties and material amounts of receivables, payables and capital asset additions not properly recorded in the Council's financial statements. Sand provided the Council with recommendations to address each of these findings.

Three of the three findings discussed above are repeated from the prior year. The Board of Directors has a fiduciary responsibility to provide oversight of the Council's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

(NOTE to CPAs: Include significant findings, including material weaknesses, significant non-compliance and all Federal findings. Auditor judgement should be used to determine which significant deficiencies reported under Government Auditing Standards, if any, should be included.)

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

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SAMPLE SUBSTANCE ABUSE COUNCIL
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

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Sample Substance Abuse Council

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Smith	President	Jan 2024
Jill Jones	Vice-President	Jan 2023
Joe Brown	Secretary	Jan 2024
Mary Moore	Treasurer	Jan 2024
Lester Hays	Member	Jan 2023
Dennis Jones	Member	Jan 2023
Sue Miller	Member	Jan 2023
Carol Long	Member	Jan 2023
George Martin	Member	Jan 2024
Roger Warren	Executive Director	Indefinite

Sample Substance Abuse Council



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STATE OF IOWA**

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Des Moines, Iowa 50319-0006
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Independent Auditor's Report

To the Board of Directors of Sample Substance Abuse Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Financial Position of Sample Substance Abuse Council as of June 30, 2022, and the related Statements of Activities, Functional Expenses and Cash Flows and the Notes to Financial Statement, which collectively comprise the Council's basic financial statements 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 Sample Substance Abuse Council as of June 30, 2022 and the changes in its net assets and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Sample Substance Abuse Council, 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 Sample Substance Abuse Council'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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement 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 Sample Substance Abuse Council'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sample Substance Abuse Council'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sample Substance Abuse Council's basic financial statements. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2022 on our consideration of Sample Substance Abuse Council'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 Council'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 Sample Substance Abuse Council's internal control over financial reporting and compliance.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

October 21, 2022

Sample Substance Abuse Council

Financial Statements

Exhibit A

Sample Substance Abuse Council

Statement of Financial Position

June 30, 2022

	Current Fund	Land, Building and Equipment Fund	Total
Assets			
Cash and cash equivalents	\$ 107,934	-	107,934
Accounts receivable	12,262	-	12,262
Due from other funds	159,923	-	159,923
Prepaid expenses	19,158	-	19,158
Security deposit	50	-	50
Property and equipment at cost, net of accumulated depreciation	-	764,400	764,400
Total assets	\$ 299,327	764,400	1,063,727
Liabilities and Net Assets			
Liabilities:			
Accounts payable	\$ 33,101	-	33,101
Salaries payable	55,551	-	55,551
Note payable	40,500	-	40,500
Mortgage payable	-	485,891	485,891
Due to other funds	-	159,923	159,923
Total liabilities	129,152	645,814	774,966
Net assets:			
Unrestricted:			
Designated by Board for cash reserve	30,000	-	30,000
Available for operations	139,314	118,586	257,900
Total unrestricted	169,314	118,586	287,900
Permanently restricted	861	-	861
Total net assets	170,175	118,586	288,761
Total liabilities and net assets	\$ 299,327	764,400	1,063,727

See notes to financial statements.

Sample Substance Abuse Council

Statement of Activities

Year ended June 30, 2022

	Current Fund		Land, Building and Equipment Fund	Total
	Unrestricted	Permanently Restricted		
Public support and revenues:				
Public support:				
Iowa Department of Public Health:				
Treatment program	\$ 591,851	-	-	591,851
Prevention program	61,243	-	-	61,243
Counties	227,538	-	-	227,538
Cities	10,500	-	-	10,500
Donations	2,589	-	-	2,589
United Way	10,009	-	-	10,009
Total public support	903,730	-	-	903,730
Revenues:				
Resident Recovery Program:				
Veterans Administration resident fees	13,685	-	-	13,685
Other resident fees	71,264	-	-	71,264
Client fees	96,031	-	-	96,031
Miscellaneous	28,324	-	-	28,324
Total revenues	209,304	-	-	209,304
Total public support and revenues	1,113,034	-	-	1,113,034
Expenses:				
Program services	896,132	-	59,650	955,782
Support services	158,418	-	40,088	198,506
Total expenses	1,054,550	-	99,738	1,154,288
Change in net assets from operations	58,484	-	(99,738)	(41,254)
Other changes in net assets:				
Investment income	2,870	43	-	2,913
Property and equipment acquisitions	(21,666)	-	21,666	-
Other changes in net assets, net	(18,796)	43	21,666	2,913
Change in net assets	39,688	43	(78,072)	(38,341)
Net assets beginning of year	129,626	818	196,658	327,102
Net assets end of year	\$ 169,314	861	118,586	288,761

See notes to financial statements.

Exhibit C

Smapple Substance Abuse Council

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services	Support Services, Management and General	Total
Salaries	\$ 639,400	95,156	734,556
Benefits and taxes	103,064	15,033	118,097
	<u>742,464</u>	<u>110,189</u>	<u>852,653</u>
Rent	-	3,600	3,600
Groceries	37,525	-	37,525
Supplies and printing	11,949	6,941	18,890
Repair and maintenance	13,189	1,401	14,590
Insurance	26,460	2,810	29,270
Postage	595	3,314	3,909
Professional fees	-	5,075	5,075
Dues and subscriptions	-	1,907	1,907
Professional supplies	4,586	-	4,586
Travel and conferences	9,189	1,505	10,694
Contractual services	12,522	2,264	14,786
Utilities and telephone	27,865	2,959	30,824
Advertising	-	4,355	4,355
Equipment rent and repair	3,328	10,636	13,964
Interest	39,079	26,053	65,132
Staff development	3,079	136	3,215
Medical services and prescriptions	2,300	-	2,300
Miscellaneous	-	605	605
	<u>191,666</u>	<u>73,561</u>	<u>265,227</u>
Total expenses before depreciation	934,130	183,750	1,117,880
Depreciation	21,652	14,756	36,408
Total expenses	<u>\$ 955,782</u>	<u>198,506</u>	<u>1,154,288</u>

See notes to financial statements.

Sample Substance Abuse Council

Statement of Cash Flows

Year Ended June 30, 2022

	<u>Current Fund - Unrestricted</u>
Cash flows from operating activities:	
Cash received from the Iowa Department of Public Health	\$ 655,594
Cash received from Counties	227,538
Cash received from Cities	10,500
Donations received	12,598
Cash received from resident and client fees	179,930
Other receipts	28,324
Cash paid to employees and suppliers	<u>(1,058,850)</u>
Net cash provided by operating activities	<u>55,634</u>
Cash flows from investing activities:	
Interest received	<u>2,870</u>
Net increase in cash and cash equivalents	58,504
Cash and cash equivalents beginning of year	<u>49,430</u>
Cash and cash equivalents end of year	<u>\$ 107,934</u>
Reconciliation of change in net assets from operations to net cash provided by operating activities:	
Change in net assets from operations	\$ 58,484
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:	
Change in assets and liabilities:	
Due from other funds	2,500
Accounts receivable	(1,050)
Prepaid expenses	(158)
Accounts payable	(1,057)
Salaries payable	<u>(3,085)</u>
Net cash provided by operating activities	<u>\$ 55,634</u>

See notes to financial statements.

Sample Substance Abuse Council

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Sample Substance Abuse Council is a non-profit corporation organized to provide education and group counseling for substance abusers and their families and to provide residential care for adult substance abusers. Services are provided primarily to residents of Sample County.

The Council 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.

The Council'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 Council 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:

Current Fund – The Current Fund accounts for all resources over which the Council has discretionary control to use in carrying on the operations of the organization in accordance with the limitations of its charter and bylaws, except for amounts invested in land, buildings and equipment which may be accounted for in a separate fund.

The Council's Board may designate portions of the Current Fund for specific purposes, projects or investments as an aid in the planning of expenses and the conservation of assets. The Council maintains separate accounts for any designations within the Current Fund and segregates the designated and undesignated portions of the fund within the net assets section of the Statement of Financial Position.

The Current Fund also accounts for all resources restricted by outside sources which can only be utilized in accordance with the purposes established by the sources of the funds.

Land, Building and Equipment Fund – The Land, Building and Equipment Fund is used to accumulate the net investment in capital assets and to account for the unexpended resources contributed specifically for the purpose of acquiring or replacing land, buildings or equipment for use in the operations of the Council. Mortgages or other liabilities relating to these assets are also included in this fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts 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 directly charged against the Current Fund balance and capitalized in the Land, Building and Equipment 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 Council and changes therein are classified and reported as follows:

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

Permanently restricted net assets – Net assets subject to donor-imposed stipulations they be maintained permanently by the Council. Generally, the donors of these assets permit the Council to use all or part of the income earned on related investments for general or specific purposes.

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 and Liabilities

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

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

Due from and Due to Other Funds – During the course of its operations, the Council has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2022, balances of interfund amounts receivable or payable have been recorded.

Property and Equipment – Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of 3 to 40 years.

F. Public Support – United Way

Support from United Way represents amounts actually received or due, net of related fund-raising expenses. Accordingly, such related fund-raising expenses are not included in these statements.

G. Contributed Office Space

The fair value of the free use of office space is treated as a donation and an expense.

H. Total Column

The total column on the Statement of Financial Position and the Statement of Activities is presented only 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. Interfund eliminations have not been made in the aggregation of this data.

(2) Property and Equipment

A summary of property and equipment follows:

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 93,049
Buildings	682,314
Furniture and fixtures	<u>84,697</u>
Total cost	860,060
Less accumulated depreciation	<u>(95,660)</u>
Net	<u>\$ 764,400</u>

(3) Note and Mortgage Payable – Direct Borrowing

Current Fund – The Council has borrowed \$40,500 on a \$75,000 unsecured line of credit from Anywhere State Bank. Interest at 7.5% per year accrues on the unpaid balance, which is due October 15, 2022.

Land, Building and Equipment Fund – Monthly installments of \$7,897, including 7% per annum interest on the unpaid balance, are due on the mortgage payable with a final due date of June 2030. The mortgage is collateralized by land and a building with a depreciated cost of \$623,722 at June 30, 2022. Details of the mortgage payable are as follows:

<u>Year Ending</u>				
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2023	\$ 38,532	56,233	94,765	
2024	43,419	51,346	94,765	
2025	48,925	45,840	94,765	
2026	55,130	39,634	94,764	
2027	62,122	32,643	94,765	
2028-2030	<u>237,763</u>	<u>46,534</u>	<u>284,297</u>	
Total	<u>\$ 485,891</u>	<u>272,230</u>	<u>758,121</u>	

(4) Interest Cost

During the year, no interest cost was capitalized since there were no qualifying assets. Interest cost incurred and charged to expense for the year ended June 30, 2022 totaled \$65,132.

(5) In-Kind Contributions

The Council received donated office space in the Sample County Courthouse. The in-kind revenue and the corresponding expense is recognized in these financial statements at the estimated fair rental value of \$150 a month.

A number of volunteers donate a significant amount of time in various program areas, advisory boards and committees. No amounts have been reflected in the statements for these donated services because no objective basis is available to measure the value of such services.

(6) Retirement Plan

The Council contributes to the Council Retirement Plan (CRP), a defined contribution pension plan, for all full-time employees who have completed one year of service. CRP is authorized by the Council's by-laws which is administered by XYZ Insurance Company.

Benefit terms, including contribution requirements, for CRP are established and may be amended by the Board of Directors. For each employee in the pension plan, the Council is required to contribute 4% of annual salary to an individual employee account. Additionally, each plan participant must contribute 2% 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 June 30, 2022, employee contributions totaled \$14,031 and the Council recognized pension expense of \$28,062.

At June 30, 2022, the Council reported payables to the defined contribution pension plan of \$1,209 for legally required employer contributions and \$604 for legally required employee contributions which had been withheld from employee wages but not yet remitted to CRP.

(7) Risk Management

The Council 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 the purchase of commercial insurance. The Council assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Sample Substance Abuse Council

Supplementary Information

Sample Substance Abuse Council

Sample Substance Abuse Council
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2022

Grantor/Program	Assistance Listing Number	Pass-through Entity Identifying Number	Program Expenditures
U.S. Department Health and Human Services:			
Passed through Iowa Department of Public Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	58XXCT005	\$ 691,851
Block Grants for Prevention and Treatment of Substance Abuse	93.959	58XXCP049	<u>75,243</u>
Total			<u>\$ 767,094</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Sample Substance Abuse Council under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sample Substance Abuse Council, it is not intended to and does not present the financial position, changes in financial position or cash flows of Sample Substance Abuse Council.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – Sample Substance Abuse Council has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

Sample Substance Abuse Council



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Rob Sand
Auditor of State

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 Substance Abuse Council:

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 Sample Substance Abuse Council, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, and have issued our report thereon dated October 21, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample Substance Abuse Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are 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 Sample Substance Abuse Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Sample Substance Abuse Council's internal control.

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 Council's financial statements will not be prevented, or detected and corrected, on a timely basis. 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. **(Use for Note 1, Note 2, Note 3)**

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 were not identified. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. **(Note 4 only)**

(Use this paragraph rather than preceding paragraph for Note 1) Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

(Use this paragraph rather than preceding two paragraphs for Note 2, Note 3) Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 were not identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. (add bold for Note 2 only)** We identified certain deficiencies in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2022-001 through 2022-002 that we consider to be material weaknesses. **(delete “material weaknesses” add “significant deficiencies.” for Note 2)**

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 Council’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2022-XXX through 2022-XXX to be material weaknesses. **(Use this for Note 4 only)**

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 _____ and _____ to be significant deficiencies. **(Use this for Note 4 only)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample Substance Abuse Council’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. 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 Council’s operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Council. 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 Substance Abuse Council’s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Sample Substance Abuse Council’s responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Sample Substance Abuse Council’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 Council'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 Council'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 Sample Substance Abuse Council 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.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

October 21, 2022

Note 1: No material weaknesses and no significant deficiencies.

Note 2: No material weaknesses but significant deficiencies exist.

Note 3: Material weaknesses exist but no significant deficiencies.

Note 4: Both material weaknesses and significant deficiencies exist.



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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Board of Directors of Sample Substance Abuse Council:

Report on Compliance for Each Major Federal Program

Opinion on each Major Federal Program

We have audited Sample Substance Abuse Council's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on Sample Substance Abuse Council's major federal program for the year ended June 30, 2022. Sample Substance Abuse Council's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Sample Substance Abuse Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sample Substance Abuse Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sample Substance Abuse Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Sample Substance Abuse Council's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sample Substance Abuse Council's compliance based on our audit. 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 generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about Sample Substance Abuse's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Sample Substance Abuse Council's compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sample Substance Abuse Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sample Substance Abuse Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance we identified during the audit.

Other Matters (Omit this section if no noncompliance exists. Please refer to the AICPA Audit Guide Government Auditing Standards and Single Audits for assistance in reporting.)

- 1) **If noncompliance that does not result in a modified opinion but is required to be reported in accordance with the Uniform Guidance is identified, an other-matter paragraph, in a separate section of the auditor's report with the heading "Other Matters," should be reported which includes:**
 - **a reference to the schedule of findings and questioned costs in which the instances of noncompliance are describe, including the reference number of the finding.**
 - **a statement that the auditor's opinion on each major federal program is not modified with respect to the matters.**
- 2) **If noncompliance results in a modified opinion, please refer AICPA Audit Guide. This letter changes significantly.**

Report on Internal Control Over Compliance

(Use this paragraph for Note 1 only) A deficiency in 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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Replace preceding paragraph with this paragraph for Note 2) Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that was not identified. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. (delete bold words if Note 3 or Note 4) However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies. (Note 3 and Note 4– replace bolded words with “However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.”) (Note 4 add italics words)**

(Note 2, Note 3 and Note 4 add this paragraph) A deficiency in 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 that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. **A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. (Note 4 - delete bold words)** We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003, to be a material weakness. **(Note 2 replace bolded words with “significant deficiencies”).**

(Note 4 add paragraph) A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-XXX and 2022-XXX, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Sample Substance Abuse Council's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Sample Substance Abuse Council's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. **(omit paragraph for Note 1)**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

October 21, 2022

Note 1: No material weaknesses and no significant deficiencies exist.

Note 2: No material weaknesses but significant deficiencies exist.

Note 3: Material weakness but no significant deficiencies exist.

Note 4: Material weaknesses and significant deficiencies exist.

Sample Substance Abuse Council
Schedule of Findings and Questioned Costs
June 30, 2022

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

- (a) An unmodified opinion was issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) 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 program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Block Grants for Prevention and Treatment of Substance Abuse, Assistance Listing Number 93.959.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Sample Substance Abuse Council did not qualify as a low-risk auditee.

Sample Substance Abuse Council

Schedule of Findings and Questioned Costs

June 30, 2022

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Council's financial statements.

Condition – Cash receipts are issued, and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Cause – The Council has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Council's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response and Corrective Action Planned – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

2022-002 Financial Reporting

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 Council's financial statements.

Condition – Material amounts of receivables, payables and capital asset additions were not recorded in the Council's financial statements. Adjustments were subsequently made by the Council to properly include these amounts in the financial statements.

Sample Substance Abuse Council

Schedule of Findings and Questioned Costs

June 30, 2022

Cause – Council policies do not require and procedures have not been established to require independent review of year end cut-off transactions and capital asset additions to ensure the Council’s financial statements are accurate and reliable.

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

Recommendation – The Council should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the Council’s financial statements.

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sample Substance Abuse Council
Schedule of Findings and Questioned Costs
June 30, 2022

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

Assistance Listing Number 93.959: Block Grants for Prevention and Treatment of Substance Abuse
Pass-through Entity Identifying Numbers: 58XXCT005 and 58XXCPO49
Federal Award Year: 2021 and 2022
Prior Year Finding Number: 2021-003
U.S. Department of Health and Human Services
Passed through the Iowa Department of Public Health

2022-003 Segregation of Duties – The Council did not properly segregate voucher processing, recording and check writing functions for disbursements, including those related to its federal program. See 2022-001.

Part IV: Other Findings Related to Required Statutory Reporting:

No matters were noted.

Sample Substance Abuse Council

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
John Q. Review, CPA, Manager
Margo Setter, CPA, Senior Auditor
Jerome Warning, CPA, Senior Auditor