



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE September 23, 2010

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

The Drainage District's Disaster Grants – Public Assistance program disbursements totaled \$1,434,167 for the year ended June 30, 2009.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at: <http://auditor.iowa.gov/reports/0933-0046-B000.pdf>

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**LOUISA - DES MOINES COUNTY DRAINAGE DISTRICT
PUBLIC ASSISTANCE GRANTS**

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

YEAR ENDED JUNE 30, 2009

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Schedule of Expenditures of Federal Awards	7
Note to Schedule of Expenditures of Federal Awards	8
Independent Auditor's Report on Compliance with Requirements Applicable to the Federal Program and on Internal Control over Compliance in Accordance with the Program – Specific Audit Option Under OMB Circular A-133	11-12
Schedule of Findings and Questioned Costs	13-16
Staff	17

Louisa - Des Moines County Drainage District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kenny Meeker	Trustee	Jan 2010
Richard Siegle	Trustee	Jan 2011
Ernie Peck	Trustee	Jan 2012
Vicki Stoller	Administrator	Indefinite

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Public Assistance Grants**



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Independent Auditor's Report

To the Trustees of the Louisa – Des Moines
County Drainage District:

We have audited the accompanying Schedule of Expenditures of Federal Awards (Schedule) for the Louisa – Des Moines County Drainage District's Disaster Grants – Public Assistance program for the year ended June 30, 2009. The Schedule is the responsibility of the Louisa – Des Moines County Drainage District's management. Our responsibility is to express an opinion on the Schedule based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

As described in note 1, the Schedule was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the Schedule of Expenditures of Federal Awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the Louisa - Des Moines County Drainage District's Disaster Grants – Public Assistance program for the year ended June 30, 2009 on the basis of accounting described in note 1.

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 2, 2010

**Louisa – Des Moines County Drainage District
Public Assistance Grants**

Louisa – Des Moines County Drainage District
Public Assistance Grants

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Disbursements</u>
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DRIA	<u>\$ 1,434,167</u>

See note to Schedule of Expenditures of Federal Awards.

Louisa - Des Moines County Drainage District
Public Assistance Grants

Note to Schedule of Expenditures of Federal Awards

June 30, 2009

(1) Summary of Significant Accounting Policies

The Louisa - Des Moines County Drainage District is a political subdivision of the State of Iowa located in Des Moines and Louisa Counties. A Board of Trustees elected on a non-partisan basis is responsible for managing the Drainage District. The Drainage District collects drainage assessments from landowners for the purpose of maintaining and pumping water from the land within the District.

A. Reporting Entity

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

B. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Louisa – Des Moines County Drainage District and is presented in conformity with an other comprehensive basis of accounting. The information on this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

C. Basis of Accounting

The Louisa – Des Moines County Drainage District maintains its financial records on the basis of cash receipts and disbursements and the Schedule of Expenditures of Federal Awards is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the Schedule of Expenditures of Federal Awards is not presented in accordance with U.S. generally accepted accounting principles.

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

**Louisa – Des Moines County Drainage District
Public Assistance Grants**



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

To the Trustees of the Louisa – Des Moines
County Drainage District:

Compliance

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

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

In our opinion, the Louisa – Des Moines County Drainage District complied, in all material respects, with the requirements referred to above that are applicable to its Disaster Grants – Public Assistance program for the year ended June 30, 2009.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Louisa – Des Moines County Drainage District’s internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance we consider to be significant deficiencies.

A control deficiency in the Louisa – Des Moines County Drainage District’s internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Louisa – Des Moines County Drainage District’s ability to administer a federal program such that there is more than a remote likelihood non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Louisa – Des Moines County Drainage District’s internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items II-A-09 through II-E-09 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the Louisa – Des Moines County Drainage District’s internal control. We do not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The Louisa – Des Moines County Drainage District’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 conclusion on the Louisa – Des Moines County Drainage District’s responses, we did not audit the Louisa – Des Moines County Drainage District’s responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Louisa – Des Moines County Drainage District and other parties to whom the Louisa – Des Moines County Drainage District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 2, 2010

Louisa – Des Moines County Drainage District
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

- (a) An unqualified opinion was issued on the Schedule of Expenditures of Federal Awards which was prepared in conformity with an other comprehensive basis of accounting.
- (b) The audit did not disclose any non-compliance which is material to the Schedule of Expenditures of Federal Awards.
- (c) Significant deficiencies in internal control over the Public Assistance Grants program were disclosed by the audit of the Schedule of Expenditures of Federal Awards, none of which were considered to be material weaknesses.
- (d) An unqualified opinion was issued on compliance with requirements applicable to the Public Assistance Grants program.
- (e) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (f) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance.

Louisa – Des Moines County Drainage District
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

CFDA Number: 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Agency Number: FEMA-1763-DR

Federal Award Year: 2009

U.S. Department of Homeland Security

II-A-09 Disposal of Equipment – Part 3 of the Single Audit Compliance Supplement states equipment with a fair market value of \$5,000 or more which is no longer needed for a federal program may be retained or sold with the federal agency having a right to a proportionate amount of the current fair market value. Proper sales procedures which provide for competition to the extent practicable and result in the highest possible return shall be used.

The District purchased a manufactured home from Davis Homes for \$39,260 on October 15, 2008 for temporary housing of the caretaker for a period of approximately 14 months. On December 24, 2009, the District published a public notice in a local newspaper for a sealed bid auction with bids being accepted through January 5, 2010. The District received two bids for the home and, on January 6, 2010, accepted the highest bid of \$14,000 from Davis Homes. The proceeds received by the District are to be included in the final settlement with FEMA at the time the project worksheet is closed out.

Based on a book value report we obtained, the home's fair value was estimated to be approximately \$23,000 to \$26,000. The procedures used by the District to dispose of the home did not provide the highest possible return for the home since the proceeds were \$9,000 to \$12,000, or 39-46% below the home's estimated fair value.

Recommendation – The District should implement procedures to ensure the highest possible return is received for disposal of equipment acquired with federal funds. The District should contact the Iowa Department of Public Defense – Iowa Homeland Security and Emergency Management Division to determine the disposition of this item.

Response and Corrective Action Planned – Before purchasing or disposing of this mobile home, all steps in the process were discussed and approved by the Iowa Department of Public Defense – Iowa Homeland Security and Emergency Management Division through appropriate personnel. Communication with the Iowa Department of Public Defense - Homeland Security and Emergency Management Division will continue.

Conclusion – Response accepted.

Louisa – Des Moines County Drainage District
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

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

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

Conclusion – Response accepted.

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

In addition, during the year ended June 30, 2009, the District purchased 2 boats at a cost of \$16,340 and \$20,300, respectively, for which the District did not follow the informal bid process since no documentation of the quotes obtained were retained.

Recommendation – The District should establish a written procurement policy which includes the federal requirements to ensure the proper procedures are followed for all federal purchases. In addition, the District should ensure bid documentation is retained as required.

Response and Corrective Action Planned – The District will develop a procurement policy and follow federal requirements in such matters to the best of its ability.

Conclusion – Response accepted.

Louisa – Des Moines County Drainage District
Public Assistance Grants

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

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

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

Conclusion – Response accepted.

II-E-09 Financial Reporting – The District has a responsibility to report accurate financial data, including worksheets used for the preparation of the Schedule of Expenditures of Federal Awards. During our testing, we noted three disbursements totaling \$14,175 were posted to the wrong fiscal year. Adjustments were subsequently made to report these disbursements in the proper fiscal year.

Recommendation – The District should implement procedures to ensure financial reporting is complete and accurate.

Response and Corrective Action Planned – The District will try to guard against human error and review the financial data for accuracy.

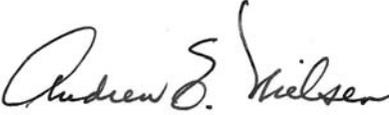
Conclusion – Response accepted.

Louisa – Des Moines County Drainage District
Public Assistance Grants

Staff

This audit was performed by:

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


Andrew E. Nielsen, CPA
Deputy Auditor of State