

Alcohol and Drug Dependency Services of Southeast Iowa

**Independent Auditor's Reports
Financial Statements and Supplementary Information
Schedule of Findings**

June 30, 2013

C o n t e n t s

	Page
Board of Directors	1
Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 10
Supplementary Information	
Detail of Functional Expenses - Program Services	11
Schedule of Expenditures of Federal Awards	12
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 <i>Government Auditing Standards</i>	13 - 14
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	15 - 16
Schedule of Findings	17 - 18

**Alcohol and Drug Dependency Services of Southeast Iowa
Board of Directors
June 30, 2013**

	<u>Title</u>	<u>Term Expires</u>
John Korb	President	October, 2013
Jeff Heland	Vice President	October, 2015
Stephanie Kozlowski	Secretary	October, 2013
Robert Ritson	Treasurer	October, 2014
Sara Berndt	Director	October, 2014
Steve Bohlen	Director	October, 2013
Brian DePriest	Director	October, 2015
Ben Diewold	Director	October, 2013
Russ Kuhlemeier	Director	October, 2014
Julie Solinski	Director	October, 2013
Mary Margaret Wagner	Director	October, 2015
Richard Swanson	Executive Director	Indefinite



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

Independent Auditor's Report

Board of Directors
Alcohol and Drug Dependency Services of Southeast Iowa
Burlington, Iowa

We have audited the accompanying financial statements of Alcohol and Drug Dependency Services of Southeast Iowa (Organization) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements 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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alcohol and Drug Dependency Services of Southeast Iowa as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 11 and 12, 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2014, on our consideration of the Organization'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 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 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 Organization's internal control over financial reporting and compliance.

CPA Associates PC

January 28, 2014

Alcohol and Drug Dependency Services of Southeast Iowa
Statement of Financial Position
June 30, 2013

Assets

Cash	\$ 660,387
Accounts receivable	
Grants and allocations	121,071
Client fees and other services, net of allowance of \$15,617	26,536
Prepaid expenses	18,245
Certificates of deposit	<u>504,082</u>
	<u>1,330,321</u>
Property and equipment	
Building	1,764,881
Furniture and fixtures	35,595
Equipment	137,137
Accumulated depreciation	<u>(1,283,185)</u>
	<u>654,428</u>
	<u>\$ 1,984,749</u>

Liabilities and Net Assets

Liabilities	
Accounts payable	\$ 30,031
Accrued salaries and paid time off	88,442
Payroll taxes payable	<u>14,678</u>
	<u>133,151</u>
Net assets	
Temporarily restricted	82,149
Unrestricted	<u>1,769,449</u>
	<u>1,851,598</u>
	<u>\$ 1,984,749</u>

See accompanying notes to financial statements.

**Alcohol and Drug Dependency Services of Southeast Iowa
Statement of Activities
Year Ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Public support			
Iowa Department of Public Health:			
Treatment program	\$ 765,275	\$ -	\$ 765,275
Prevention program	187,455	-	187,455
Gambling treatment program	382,471	-	382,471
Other grants	159,008	-	159,008
County allocations	25,660	-	25,660
City allocations	1,150	-	1,150
United Way	18,391	17,550	35,941
Donations	100	-	100
	<u>1,539,510</u>	<u>17,550</u>	<u>1,557,060</u>
Revenue			
Resident recovery program fees	115,448	-	115,448
Client fees	267,397	-	267,397
Other services	100,370	-	100,370
Interest income	8,458	-	8,458
Miscellaneous	15,247	64,599	79,846
	<u>506,920</u>	<u>64,599</u>	<u>571,519</u>
Total public support and revenue	<u>2,046,430</u>	<u>82,149</u>	<u>2,128,579</u>
Expenses			
Program services	1,505,957	-	1,505,957
Supporting services	440,461	-	440,461
	<u>1,946,418</u>	<u>-</u>	<u>1,946,418</u>
Change in net assets	100,012	82,149	182,161
Net assets, beginning of year	<u>1,669,437</u>	<u>-</u>	<u>1,669,437</u>
Net assets, end of year	<u>\$ 1,769,449</u>	<u>\$ 82,149</u>	<u>\$ 1,851,598</u>

See accompanying notes to financial statements.

Alcohol and Drug Dependency Services of Southeast Iowa
Statement of Functional Expenses
Year Ended June 30, 2013

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Salaries	\$ 801,227	\$ 248,763	\$ 1,049,990
Benefits and taxes	<u>179,790</u>	<u>58,173</u>	<u>237,963</u>
Total salaries and related expenses	981,017	306,936	1,287,953
Travel	52,044	12,534	64,578
Education and training	30,748	3,062	33,810
Contract services	54,204	9,330	63,534
Insurance	28,078	8,848	36,926
Occupancy	76,066	13,727	89,793
Supplies	224,991	9,018	234,009
Telephone	22,855	7,620	30,475
Equipment maintenance	12,976	4,205	17,181
Other expenses	<u>6,502</u>	<u>14,132</u>	<u>20,634</u>
Total expenses before depreciation	1,489,481	389,412	1,878,893
Depreciation	<u>16,476</u>	<u>51,049</u>	<u>67,525</u>
Total functional expenses	<u>\$ 1,505,957</u>	<u>\$ 440,461</u>	<u>\$ 1,946,418</u>

See accompanying notes to financial statements.

Alcohol and Drug Dependency Services of Southeast Iowa
Statement of Cash Flows
Year Ended June 30, 2013

Cash Flows From Operating Activities

Change in net assets	\$ 182,161
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	67,525
Change in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	65,536
Other assets	(7,474)
Increase in:	
Accounts payable and accrued expenses	<u>11,582</u>
Net cash provided by operating activities	<u>319,330</u>

Cash Flows From Investing Activities

Proceeds from maturities of certificates of deposit	274,710
Purchase of certificates of deposit	(218,789)
Capital expenditures	<u>(39,007)</u>
Net cash provided by investing activities	<u>16,914</u>

Net increase in cash	336,244
Cash, beginning of year	<u>324,143</u>
Cash, end of year	<u>\$ 660,387</u>

See accompanying notes to financial statements.

Alcohol and Drug Dependency Services of Southeast Iowa
Notes to Financial Statements

Note 1. Reporting Entity

Alcohol and Drug Dependency Services of Southeast Iowa (Organization) is a nonprofit corporation organized and licensed to provide education and group counseling for substance abusers and their families, in addition to providing residential care for adult substance abusers and treatment for gambling addiction. Services are provided primarily to residents of southeast Iowa.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization's financial statements are prepared on the accrual basis.

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 Organization and changes therein are classified and reported as restricted or unrestricted net assets. Public support and revenue are reported as increases in unrestricted net assets unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Contributions with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues. The Organization had temporarily restricted net assets of \$82,149 at June 30, 2013. There were no permanently restricted net assets at June 30, 2013.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash.

Accounts Receivable

Accounts receivable are for grants, allocations and services performed and are uncollateralized. Collection of accounts receivable, net of the allowance for doubtful accounts, is expected to occur within one year. The allowance for doubtful accounts is estimated based on current and prior experience with the outstanding accounts. Accounts are written off when management believes the account is uncollectible. Accounts written off are netted against the related revenues and totaled \$18,045 for the year ended June 30, 2013.

**Alcohol and Drug Dependency Services of Southeast Iowa
Notes to Financial Statements**

Note 2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost. Expenditures in excess of \$1,000 for property and equipment that provide future benefit are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	10-31.5
Furniture and fixtures	7-10
Equipment	5-7

Property and equipment acquired with government funds must be offered back to the related agency prior to any disposition.

Income Taxes

The Organization 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 provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Organization has open tax years for three years prior to June 30, 2013.

Evaluation of Subsequent Events

The Organization performed an evaluation of subsequent events through January 28, 2014, which is the date the financial statements were available to be issued. There were no subsequent events that would require disclosure or recognition in the financial statements as of June 30, 2013.

Note 3. Certificates of Deposit

The Organization has certificates of deposit totaling \$504,082. The certificates bear interest at rates ranging from 0.9% to 2.1%, have maturity dates ranging from March 17, 2014 to May 10, 2015, and are subject to penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Note 4. Leased Equipment and Facilities

The Organization leases office space in Davenport and Ottumwa, Iowa under operating leases. The leases require monthly rental payments totaling \$2,399 and may be cancelled with 30 days notice. The Ottumwa office lease includes the use of support staff, furnishings, and internet and phone access. Rent expense under these leases was \$28,796 for the year ended June 30, 2013.

Alcohol and Drug Dependency Services of Southeast Iowa
Notes to Financial Statements

Note 5. Pension Plan

The Organization has a pension plan covering full time employees who are at least 21 years of age and have completed at least one year of service. The plan states that the Organization will contribute an amount equal to two percent of each eligible employee's gross salary. In addition, if the employee elects to make a two percent contribution, the Organization will match it, making the Organization's maximum contribution four percent. Total pension expense for the year was \$28,244.

Note 6. Concentration of Revenues and Credit Risk

The Organization receives the majority of its funding through various state and federal grants. If these funding sources were removed, the Organization could have difficulty meeting its functional obligations.

Note 7. Self-Insured Unemployment Benefits

The Organization elected to self-fund unemployment benefits through participation in an unemployment savings program. The Organization has set up a reserve account that will be used to reimburse the State of Iowa for actual claims paid to former employees. The program includes excess loss insurance up to \$180,000 with a stop loss limit of \$60,000. The balance in the reserve account was \$10,135 as of June 30, 2013. No unemployment claims were paid from the fund during the year ended June 30, 2013.

Note 8. Allocation of Expenses - Statement of Functional Expenses

The allocation of expenses on the Statement of Functional Expenses is based on actual amounts when identifiable with a particular program, or allocated based on estimates furnished by management of the Organization.

Note 9. Risk Management

The Organization 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 Organization's commercial insurance. The Organization 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.

Note 10. Related Party Transactions

One of the Organization's directors is an officer with a local bank. At June 30, 2013, the Organization had on deposit with the bank a certificate of deposit with a balance of \$83,949 and a money market account with a balance of \$52,977.

**Alcohol and Drug Dependency Services of Southeast Iowa
Detail of Functional Expenses - Program Services
Year Ended June 30, 2013**

	<u>Treatment</u>	<u>Prevention</u>	<u>Access to Recovery</u>	<u>Gambling</u>	<u>Total</u>
Salaries	\$ 445,461	\$ 163,129	\$ 44,527	\$ 148,110	\$ 801,227
Benefits and taxes	<u>99,933</u>	<u>36,468</u>	<u>9,986</u>	<u>33,403</u>	<u>179,790</u>
Total salaries and related expenses	545,394	199,597	54,513	181,513	981,017
Travel	19,339	14,068	1,118	17,519	52,044
Education and training	14,765	5,769	246	9,968	30,748
Contract services	22,017	19,943	1,602	10,642	54,204
Insurance	17,299	5,180	984	4,615	28,078
Occupancy	32,938	7,695	890	34,543	76,066
Supplies	100,977	28,800	72,724	22,490	224,991
Telephone	14,050	2,407	339	6,059	22,855
Equipment maintenance	8,393	1,905	525	2,153	12,976
Other expenses	<u>4,235</u>	<u>397</u>	<u>140</u>	<u>1,730</u>	<u>6,502</u>
Total expenses before depreciation	779,407	285,761	133,081	291,232	1,489,481
Depreciation	<u>13,496</u>	<u>-</u>	<u>-</u>	<u>2,980</u>	<u>16,476</u>
Total functional expenses	<u>\$ 792,903</u>	<u>\$ 285,761</u>	<u>\$ 133,081</u>	<u>\$ 294,212</u>	<u>\$ 1,505,957</u>

See accompanying independent auditor's report.

**Alcohol and Drug Dependency Services of Southeast Iowa
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013**

<u>Project Title</u>	<u>CFDA Number</u>	<u>Agency or Pass- through Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Health and Human Services Passed-through the Iowa Department of Public Health			
Block Grants for Prevention and Treatment of Substance Abuse			
Treatment	93.959	None	\$ 240,296
Prevention	93.959	#5883CP03	<u>106,826</u>
			<u>347,122</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance			
	93.243	#5883CP03	72,523
	93.243	#588GP11	<u>23,625</u>
			<u>96,148</u>
Substance Abuse and Mental Health Services Access to Recovery			
	93.275	#5881AC13	<u>159,008</u>
			<u>\$ 602,278</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Alcohol and Drug Dependency Services of Southeast Iowa and is presented on the accrual 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*. 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.



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

**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***

Board of Directors
Alcohol and Drug Dependency Services of Southeast Iowa
Burlington, Iowa

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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alcohol and Drug Dependency Services of Southeast Iowa (Organization), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated January 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 the accompanying schedule of findings, we identified a deficiency in internal control we consider to be a significant deficiency.

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 a material misstatement of the Organization'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 which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II-A-13 of the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant 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* and which are described in Part II of the accompanying schedule of findings.

Organization's Responses to Findings

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Organization 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.

CPA Associates PC

January 28, 2014



401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

**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**

Board of Directors
Alcohol and Drug Dependency Services of Southeast Iowa
Burlington, Iowa

Report on Compliance for Each Major Federal Program

We have audited Alcohol and Drug Dependency Services of Southeast Iowa's (Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. 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 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 noncompliance 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 Organization'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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal programs in order to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Organization'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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we considered to be a significant deficiency.

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 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. 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 an material weakness in internal control, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-13 to be a significant deficiency.

The Organization's response to the internal control over compliance finding identified in our audit is reported in the accompanying schedule of findings. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CPA Associates PC

January 28, 2014

**Alcohol and Drug Dependency Services of Southeast Iowa
Schedule of Findings
Year Ended June 30, 2013**

Part I: Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statement.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs 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 did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was as follows:
 - CFDA Number 93.959 - Block Grants for Prevention and Treatment of Substance Abuse
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Alcohol and Drug Dependency Services of Southeast Iowa did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCY:

II-A-13 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks to the safeguarding of assets and accuracy of the financial statements. Due to the size of your Organization, not all duties related to billing, cash receipts, cash disbursements and account reconciliation are adequately segregated.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Organization should review its control procedures to obtain the maximum internal control possible under the circumstances, and should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will consider this.

Conclusion - Response acknowledged.

**Alcohol and Drug Dependency Services of Southeast Iowa
Schedule of Findings
Year Ended June 30, 2013**

Part II: Findings Related to the Financial Statements (continued)

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 93.959: Block Grants for Prevention and Treatment of Substance Abuse
Federal Award year 2013
U.S. Department of Health and Human Services
Passed-through the Iowa Department of Public Health

III-A-13 Segregation of Duties - see item II-A-13

Part IV: Prior Audit Findings for Federal Awards

SIGNIFICANT DEFICIENCY:

III-A-12 Segregation of Duties - Management did not separated incompatible activities of personnel, thereby creating risks to the safeguarding of assets and accuracy of the financial statements.

Recommendation - It was recommended that the Organization review its control procedures to obtain the maximum internal control possible under the circumstances, segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Current Status - Due to the limited number of office employees, segregation of duties over federal receipts continues to be a significant deficiency. See item III-A-13 in the current year findings.