



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____

March 27, 2015

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Community Development Block Grants program for the City of Bedford, Iowa.

The City of Bedford's Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii disbursements totaled \$503,286 for the year ended June 30, 2014.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1421-0838-BC00.pdf>.

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**CITY OF BEDFORD
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM
AND NON-ENTITLEMENT GRANTS IN HAWAII**

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

YEAR ENDED JUNE 30, 2014

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City of Bedford

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Lary Wyckoff	Mayor	Jan 2014
Matt Ambrose	Council Member	Jan 2014
Pat Blacketer	Council Member	Jan 2014
Matt Dukes	Council Member	Jan 2014
Dan Musich	Council Member	Jan 2014
Lee Weir	Council Member	Jan 2014
Tammy Thompson	City Clerk/Treasurer	Indefinite
Kay Dukes	Treasurer	Indefinite
Carl Sonksen	Attorney	Indefinite
(After January 2014)		
Matt Dukes	Mayor	Jan 2016
Matt Ambrose	Council Member	Jan 2016
Matt Churchill	Council Member	Jan 2016
Bonnie Godden	Council Member	Jan 2016
Dan Musich	Council Member	Jan 2016
Karen Wallace	Council Member	Jan 2016
Tammy Thompson	City Clerk/Treasurer	Indefinite
Kay Dukes	Treasurer	Indefinite
Carl Sonksen	Attorney	Indefinite

**City of Bedford
Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii**



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying Schedule of Expenditures of Federal Awards (Schedule) for the City of Bedford's Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Community Development Block Grant program) for the year ended June 30, 2014. The Schedule is the responsibility of the City of Bedford'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, 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 City of Bedford's Community Development Block Grant program for the year ended June 30, 2014 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 City of Bedford and other parties to whom the City of Bedford may report, including federal awarding agencies. This report is not intended to be and should not be used by anyone other than these specified parties.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 3, 2015

Exhibit A

City of Bedford
Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency Pass-through Number	Federal Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's			
Program and Non-Entitlement Grants in Hawaii	14.228	11-HSG-004	\$ 63,205
	14.228	12-WS-003	440,081
Total			<u>\$ 503,286</u>

See Note to the Schedule of Expenditures of Federal Awards.

City of Bedford
Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

Note to Schedule of Expenditures of Federal Awards

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Bedford is a political subdivision of the State of Iowa located in Taylor County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

The Schedule of Expenditures of Federal Awards includes only the program disbursements of the City's Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.

B. Basis of Presentation

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

C. Basis of Accounting

The City 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
for the Community Development Block Grants/State's Program and Non-Entitlement
Grants in Hawaii and on Internal Control over Compliance in Accordance with the
Program-Specific Audit Option Under OMB Circular A-133**



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Independent Auditor's Report on Compliance
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Grants in Hawaii and on Internal Control over Compliance in Accordance with the
Program-Specific Audit Option Under OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the City of Bedford, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii for the year ended June 30, 2014.

Management's Responsibility

Management of the City of Bedford (City) is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii program based on our audit of the types of compliance requirements referred to above. 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii occurred. An audit includes examining, on a test basis, evidence about the City's Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii 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 City's Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii. However, our audit does not provide a legal determination of the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii compliance.

Opinion on the City's Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

In our opinion, the City of Bedford complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The management of the City of Bedford is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Bedford's internal control over compliance with requirements that could have a direct and material effect on its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB 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 City of Bedford's internal control over compliance.

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 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 with a type of compliance requirement of a 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 first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However we identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as 2014-001, we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Bedford and other parties to whom the City of Bedford may report, including federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

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



MARY MOSIMAN, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 3, 2015

City of Bedford
Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

- (a) An unmodified opinion was issued on the Schedule of Expenditures of Federal Awards, which was prepared in conformity with an other comprehensive basis of accounting.
- (b) A significant deficiency in internal control over the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii was disclosed by the audit of the Schedule of Expenditures of Federal Awards.
- (c) The audit did not disclose any non-compliance which is material to the Schedule of Expenditures of Federal Awards.
- (d) An unmodified opinion was issued on compliance with requirements applicable to the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (e) The audit disclosed an audit finding which is 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 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.

City of Bedford
Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

**CDFA Number 14.228: Community Development Block Grants/State's
Program and Non-Entitlement Grants in Hawaii
Federal Award Year: 2014
U.S. Department of Housing and Urban Development**

(2014-001) Cash Management – In accordance with the Iowa Economic Development Authority Community Block Grant (CDBG) Program Contract, the City shall not have more than five hundred dollars (\$500.00) of grant proceeds, including earned interest, on hand for a period of longer than ten (10) working days. The City had unexpended proceeds of \$83,319 for more than 10 working days.

Recommendation – The City should implement procedures to ensure funds received are expended within 10 days. The City should contact the Iowa Economic Development Authority to determine the disposition of this matter.

Response and Corrective Action Planned – The matter of holding grant funds over the allowable 10 day period was a misunderstanding on my part. Once I was contacted by SICOG and informed of how contractor payments, grant fund pay requests and reimbursements are being handled, I corrected the matter and am now submitting claim for approval of reimbursements to SICOG at the same time as the grant funding is requested. As soon as funds are credited to the bank account the check is mailed to comply with the 10 day requirement.

Conclusion – Response accepted.

City of Bedford

Staff

This audit was performed by:

Deb J. Moser, CPA, Manager
Ryan J. Pithan, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State