

**Alcohol and Drug Dependency Services of Southeast Iowa**

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

**June 30, 2014**

## Contents

	<b>Page</b>
<b>Board of Directors</b>	1
<b>Independent Auditor's Report</b>	2 - 3
<b>Financial Statements</b>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 11
<b>Supplementary Information</b>	
Detail of Functional Expenses - Program Services	12
Schedule of Expenditures of Federal Awards	13
<b>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></b>	14 - 15
<b>Independent Auditor's Report on Compliance for Each Major Program on Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133</b>	16 - 17
<b>Schedule of Findings</b>	18 - 19

**Alcohol and Drug Dependency Services of Southeast Iowa  
Board of Directors  
June 30, 2014**

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	<u>Title</u>	<u>Term Expires</u>
John Korb	President	October, 2016
Jeff Heland	Vice President	October, 2015
Stephanie Kozlowski	Secretary	October, 2016
Robert Ritson	Treasurer	October, 2014
Sara Berndt	Director	October, 2014
Brian DePriest	Director	October, 2015
Ben Diewold	Director	October, 2016
Russ Kuhlemeier	Director	October, 2014
Julie Solinski	Director	October, 2016
Mary Margaret Wagner	Director	October, 2015
Richard Swanson	Executive Director	Indefinite



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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Alcohol and Drug Dependency Services of Southeast Iowa (Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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, 2014, 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.

## **Other Matter**

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 12 and 13, 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 26, 2015, 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 26, 2015

**Alcohol and Drug Dependency Services of Southeast Iowa**  
**Statement of Financial Position**  
**June 30, 2014**

<b>Assets</b>	
Cash	\$ 605,372
Accounts receivable	
Grants and allocations	161,366
Client fees and other services, net of allowance of \$38,818	52,866
Prepaid expenses	16,238
Investment, at cost	50,000
Certificates of deposit	<u>478,422</u>
	<u>1,364,264</u>
Property and equipment	
Building	1,772,805
Furniture and fixtures	35,595
Equipment	180,323
Accumulated depreciation	<u>(1,334,152)</u>
	<u>654,571</u>
	<b>\$ <u>2,018,835</u></b>
<b>Liabilities and Net Assets</b>	
Liabilities	
Accounts payable	\$ 37,133
Accrued salaries and paid time off	107,010
Payroll taxes payable	<u>16,752</u>
	<u>160,895</u>
Net assets	
Temporarily restricted	80,926
Unrestricted	<u>1,777,014</u>
	<u>1,857,940</u>
	<b>\$ <u>2,018,835</u></b>

See accompanying notes to financial statements.

**Alcohol and Drug Dependency Services of Southeast Iowa  
Statement of Activities  
Year Ended June 30, 2014**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Public Support and Revenue</b>			
Public support			
Iowa Department of Public Health:			
Treatment program	\$ 807,448	\$ -	\$ 807,448
Prevention program	215,587	-	215,587
Gambling treatment program	407,861	-	407,861
Other grants	168,663	-	168,663
County allocations	31,009	-	31,009
City allocations	1,150	-	1,150
United Way	<u>20,918</u>	<u>15,300</u>	<u>36,218</u>
	<u>1,652,636</u>	<u>15,300</u>	<u>1,667,936</u>
Revenue			
Resident recovery program fees	181,104	-	181,104
Client fees	243,019	-	243,019
Other services	95,359	-	95,359
Interest income	6,646	-	6,646
Miscellaneous	<u>23,730</u>	<u>-</u>	<u>23,730</u>
	<u>549,858</u>	<u>-</u>	<u>549,858</u>
Total public support and revenue	<u>2,202,494</u>	<u>15,300</u>	<u>2,217,794</u>
<b>Expenses</b>			
Program services	1,721,512	-	1,721,512
Supporting services	<u>489,940</u>	<u>-</u>	<u>489,940</u>
Total expenses	<u>2,211,452</u>	<u>-</u>	<u>2,211,452</u>
Support and revenue over expenses	(8,958)	15,300	6,342
Transfers	<u>16,523</u>	<u>(16,523)</u>	<u>-</u>
Change in net assets	7,565	(1,223)	6,342
<b>Net assets, beginning of year</b>	<u>1,769,449</u>	<u>82,149</u>	<u>1,851,598</u>
<b>Net assets, end of year</b>	<u>\$ 1,777,014</u>	<u>\$ 80,926</u>	<u>\$ 1,857,940</u>

See accompanying notes to financial statements.

**Alcohol and Drug Dependency Services of Southeast Iowa**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2014**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Salaries	\$ 915,029	\$ 283,784	\$ 1,198,813
Benefits and taxes	<u>211,460</u>	<u>64,980</u>	<u>276,440</u>
Total salaries and related expenses	1,126,489	348,764	1,475,253
Travel	67,377	7,869	75,246
Education and training	44,638	3,848	48,486
Contract services	46,595	5,944	52,539
Insurance	38,817	9,531	48,348
Occupancy	84,950	15,374	100,324
Supplies	234,824	9,248	244,072
Telephone	25,110	5,193	30,303
Equipment maintenance	19,017	3,566	22,583
Other expenses	<u>19,344</u>	<u>26,741</u>	<u>46,085</u>
Total expenses before depreciation	1,707,161	436,078	2,143,239
Depreciation	<u>14,351</u>	<u>53,862</u>	<u>68,213</u>
Total functional expenses	<u>\$ 1,721,512</u>	<u>\$ 489,940</u>	<u>\$ 2,211,452</u>

See accompanying notes to financial statements.

**Alcohol and Drug Dependency Services of Southeast Iowa**  
**Statement of Cash Flows**  
**Year Ended June 30, 2014**

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<b>Cash Flows From Operating Activities</b>	
Change in net assets	\$ 6,342
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	68,213
Change in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	(66,625)
Other assets	2,007
Increase in:	
Accounts payable and accrued expenses	<u>27,745</u>
Net cash provided by operating activities	<u>37,682</u>
<b>Cash Flows From Investing Activities</b>	
Proceeds from maturities of certificates of deposit	30,498
Purchase of certificates of deposit	(4,838)
Purchase of investment, at cost	(50,000)
Capital expenditures	<u>(68,357)</u>
Net cash used by investing activities	<u>(92,697)</u>
Net decrease in cash	(55,015)
Cash, beginning of year	<u>660,387</u>
Cash, end of year	<u>\$ 605,372</u>

See accompanying notes to financial statements.

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

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**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 \$80,926 at June 30, 2014. These restricted assets include United Way allocations receivable, as well as unexpended cash related to activities previously administered by Grade A+. There were no permanently restricted net assets at June 30, 2014.

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 \$16,159 for the year ended June 30, 2014.

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

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**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 files information tax returns in the United States. The Organization is no longer subject to United States federal tax examinations by tax authorities for years before 2012.

Evaluation of Subsequent Events

The Organization performed an evaluation of subsequent events through January 26, 2015, 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, 2014.

**Note 3. Certificates of Deposit**

The Organization has certificates of deposit totaling \$478,422. The certificates bear interest at rates ranging from 0.90% to 1.15%, have maturity dates ranging from October 6, 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, Ottumwa, and Clinton Iowa under operating leases. The leases require monthly rental payments totaling \$2,383 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 \$28,927 for the year ended June 30, 2014.

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

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**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 \$35,518.

**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 \$141,987 with a stop loss limit of \$51,987. The reserve account was underfunded by \$3,062 as of June 30, 2014. Unemployment claims of \$14,771 were paid from the fund to the stated during the year ended June 30, 2014.

**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, 2014, the Organization had on deposit with the bank a certificate of deposit with a balance of \$84,918 and a money market account with a balance of \$52,754.

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

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**Note 11. Investment**

The Organization owns eleven shares in Integrated Behavioral Health Network. The shares are not regularly traded and are carried at cost. The fair value is not estimated as it is not practical to estimate fair value, and no events or changes in circumstances that may have a significant adverse effect on the fair value have been identified.

**Alcohol and Drug Dependency Services of Southeast Iowa  
Detail of Functional Expenses - Program Services  
Year Ended June 30, 2014**

	<u>Treatment</u>	<u>Prevention</u>	<u>Access to Recovery</u>	<u>Gambling</u>	<u>Total</u>
Salaries	\$ 483,639	\$ 202,574	\$ 60,661	\$ 168,155	\$ 915,029
Benefits and taxes	<u>112,032</u>	<u>46,271</u>	<u>14,195</u>	<u>38,962</u>	<u>211,460</u>
Total salaries and related expenses	595,671	248,845	74,856	207,117	1,126,489
Travel	25,504	21,908	5,794	14,171	67,377
Education and training	22,822	7,044	416	14,356	44,638
Contract services	27,540	14,339	1,069	3,647	46,595
Insurance	21,874	7,223	2,005	7,715	38,817
Occupancy	36,577	10,217	1,464	36,692	84,950
Supplies	101,063	46,765	67,715	19,281	234,824
Telephone	15,881	3,534	642	5,053	25,110
Equipment maintenance	12,007	3,236	773	3,001	19,017
Other expenses	<u>11,649</u>	<u>3,729</u>	<u>424</u>	<u>3,542</u>	<u>19,344</u>
Total expenses before depreciation	870,588	366,840	155,158	314,575	1,707,161
Depreciation	<u>12,452</u>	<u>324</u>	<u>-</u>	<u>1,575</u>	<u>14,351</u>
Total functional expenses	<u>\$ 883,040</u>	<u>\$ 367,164</u>	<u>\$ 155,158</u>	<u>\$ 316,150</u>	<u>\$ 1,721,512</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, 2014**

<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	\$ 290,159
Prevention	93.959	#5883CP03	<u>101,322</u>
			<u>391,481</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	#5883CP03	73,472
	93.243	#5884GP11	<u>9,274</u>
			<u>82,746</u>
Substance Abuse and Mental Health Services Access to Recovery	93.275	#5881AC13	<u>153,425</u>
			<u>\$ 627,652</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.



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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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 the of Alcohol and Drug Dependency Services of Southeast Iowa (Organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 26, 2015.

**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 (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

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.

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. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in Part II-A-14 in the accompanying schedule of findings, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Organizations'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 results 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 26, 2015



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  
for Each Major Program on Internal Control Over Compliance  
and on the Schedule of Expenditures of Federal Awards  
Required by 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 each of the Organization's major federal programs for the year ended June 30, 2014. 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 programs 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 each 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 each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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-14 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 26, 2015

**Alcohol and Drug Dependency Services of Southeast Iowa  
Schedule of Findings  
Year Ended June 30, 2014**

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**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-14 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, 2014**

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**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 2014  
U.S. Department of Health and Human Services  
Passed-through the Iowa Department of Public Health

III-A-14 Segregation of Duties - see item II-A-14

**Part IV: Prior Audit Findings for Federal Awards**

**SIGNIFICANT DEFICIENCY:**

III-A-13 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-14 in the current year findings.