



August 8, 2022

Damon Johnson, CPA
Jensen Poulson & Company
P.O. Box 50700
Idaho Falls, Idaho 83405

Dear Mr. Johnson:

The Office of Inspector General is committed to improving the quality of non-federal audits. In accordance with our responsibilities for audit work performed by non-federal auditors on federal programs, enclosed is the quality control review (QCR) of the audit of East-Central Idaho Planning and Development Association, as of and for the year ended September 30, 2020. The single audit was performed by your firm, Jensen Poulson & Company. On our behalf, McBride, Lock & Associates, LLC, performed this QCR to ensure the audit was conducted in accordance with *Generally Accepted Auditing Standards (GAAS)*, *Generally Accepted Government Auditing Standards (GAGAS)*, the requirements of federal regulations at Title 2 C.F.R. Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* including its *Compliance Supplement*.

Please see the enclosed review performed by McBride, Lock & Associates, LLC, for further details on the QCR's scope and methodology.

Firms can receive a QCR rating of *pass*, *pass with deficiency(ies)*, or *fail*. McBride, Lock & Associates, LLC, provided the QCR draft report dated March 16, 2022, for the audit for the year ended September 30, 2020. Upon consideration of your response to the draft report, McBride, Lock & Associates, LLC, recommended a *fail* QCR rating. An audit with a QCR rating of *fail* is an audit for which the audit documentation contains quality deficiencies that affect the reliability of the audit results, does not support the opinions contained in the audit report, or both, and which requires correction for the audit under review.

In our opinion—based on the review of McBride, Lock & Associates, LLC, audit report, discussions with them, the related audit documentation, and your firm's written comments on the QCR draft report—the QCR rating of the audit for the year ended September 30, 2020, is a *fail*. A copy of your firm's written comments appears as the appendix to the enclosed QCR.

Your firm should evaluate the audit documentation related to the deficiencies detailed in the enclosed report to identify any additional audit procedures needed to ensure that the audit documentation meets GAAS, GAGAS, and the requirements of *Uniform Guidance*, including its *Compliance Supplement*. If additional audit work is deemed necessary to support the audit opinions, your firm should follow the provisions of AICPA [American Institute of Certified Public Accountants] *Professional Standards' Statement on Auditing Standards* in AU-C § 585 and AU-C § 935.43 with respect to reissuance of the audit.

We are sending this letter and the accompanying McBride, Lock & Associates, LLC, QCR to officials at federal agencies with direct expenditures listed on the Schedule of Expenditures of Federal Awards to inform them of the results of this review. Additionally, our policy is to make referrals to the appropriate professional association when a review of the audit work as originally submitted results in a QCR rating of *fail*. Accordingly, we are referring the audit to the Professional Ethics Division of the AICPA for review and appropriate action. Your written comments on the QCR draft report will be forwarded in their entirety to the AICPA.

This letter—as well as the McBride, Lock & Associates, LLC, QCR—will be posted on the Office of Inspector General’s website pursuant to section 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App., § 8M).

We appreciate the cooperation and courtesies your staff extended to McBride, Lock and Associates, LLC, during the QCR. Please direct any inquiries regarding this report to me at (202) 482-2877 or Belinda Riley, Supervisory Auditor, at (202) 527-0544.

Sincerely,



Richard Bachman
Assistant Inspector General for Audit and Evaluation

Enclosure

- cc: Terry Butikofer, Director, East-Central Idaho Planning and Development Association
- Robert Lock, McBride, Lock & Associates, LLC
- Olivia Bradley, Senior Procurement Executive and Director of the Office of Acquisition Management, Department of Commerce
- John Geisen, Director, Financial Assistance Policy and Oversight Division, Department of Commerce
- Sheba Person-Whitley, Seattle Office Regional Director, EDA
- Deborah Haynes, Audit Liaison, EDA
- MaryAnn Mausser, Audit Liaison, Office of the Secretary
- Rehana Mwalimu, Risk Management Officer and Primary Alternate Department GAO/OIG Liaison, Office of the Secretary
- Professional Ethics Division of the American Institute of Certified Public Accountants

**QUALITY CONTROL REVIEW
OF
JENSEN POULSON & COMPANY, PLLC
On the Audit of
East-Central Idaho Planning and Development Association
as of and for the year ended September 30, 2020**

McBRIDE, LOCK & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS
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McBRIDE, LOCK & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

March 16, 2022

Mr. Damon Johnson
185 S Capital
Idaho Falls, ID 83405

Subject: **Quality Control Review of the
East-Central Idaho Planning and Development Association**

Dear Mr. Johnson,

We are pleased to submit the report of our Quality Control Review (QCR) of the audit of East-Central Idaho Planning and Development Association as of and for the year ended September 30, 2020, performed by Jensen Poulson & Company, PLLC in accordance with generally accepted auditing standards published by the American Institute of Certified Public Accountants and generally accepted government auditing standards issued by the Government Accountability Office.

Scope of Services

The objective of our review was to perform a QCR:

1. To determine whether the financial statement audit work, compliance audit work, and the associated review of internal controls over both financial reporting and compliance were conducted in accordance with applicable standards, including GAGAS and the published guidance of the OIG, the American Institute of Certified Public Accountants standards as well as Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and including its Compliance Supplement.
2. To identify any issues that may require additional attention or any additional audit work by the Independent Public Accountant who performed the audit.

Methodology

We performed our review using the *Guide for Quality Control Reviews of Single Audit Reports* (the “Guide”) issued by the Council of Inspectors General on Integrity and Efficiency (2021 Edition) as adapted to consider the guidance required for the Uniform Guidance. In performing the review we met with the engagement partner and obtained supporting audit workpapers. Prior to initiating efforts, the Department of Commerce-OIG provided the audit report to be reviewed.

Overview of Procedures Performed and Related Findings

We reviewed the audit report issued on East-Central Idaho Planning and Development Association as of and for the year ended September 30, 2020. We reviewed the audit report, using the Guide, to ensure that it included and met the requirements of Government Auditing Standards and the standards for financial audits issued by the AICPA. We reviewed the audit workpapers using the Guide and the evidence documented in the audit workpapers. In each area, we evaluated whether or not the testing performed, results documented, financial statements presented, and findings reported were consistent with and supported the independent accountants report identified in the first paragraph of this report.

Results

Reported Amounts on the Data Collection Reporting Form (SF-SAC)

The Data Collection Reporting Form submitted for this audit were not consistent with the expenditures reported on the Schedule of Federal Expenditures in the audit report for certain Federal Programs. The Economic Adjustment Assistance program (CFDA 11.307) had reported expenditures of \$2,589,190 on the SF-SAC. Per the SEFA the amount of expenditures reported for this CFDA was \$2,604,835.

Additionally, the amount reported on the SF-SAC for CFDA 11.302 was \$75,000. The SEFA reported expenditures of \$190,562. The difference of \$115,562 is addressed in Note 1 of the SEFA. The auditor, by way of explanation to this concern, noted that the amount of Federal money received in only \$75,000 each year. The grantee expended \$190,562 for the program. The grantee wants the total amount of funds expended to be included on the SEFA whether the funds were identifiable as Federal or non-Federal. The footnote states that the amount of match is \$75,000 per year. Match, by definition, would infer the local portion, not the Federal funds. Therefore, the disclosures on the SEFA and the footnotes and the SF-SAC are not consistent or appropriate for this Federal program’s activity.

Audit Efforts on Direct and Material Requirements of the Major Federal Program

The audit appropriately identified Economic Adjustment Assistance (CFDA 11.307) program as major. The Compliance Supplement for this program includes testing for this program. The audit efforts documented in the workpapers are not adequately demonstrated as being performed. The audit workpapers do not provide specific determination of the applicable direct and material compliance requirements.

The audit efforts that were documented are not consistent or adequate to meet the requirements that are included in the Compliance Supplement.

Activities Allowed and Allowable Costs- This area is identified in the Compliance Supplement as applicable. The audit workpapers do identify an attribute for Allowable Activities and another for Allowable Costs. The workpaper includes 21 loans. The workpaper concludes that “loan documentation was reviewed to test for allowable activity and costs, matching requirements, reimbursements for construction contracts, position for collateral, and for the period of availability. All loans met requirements.” The Compliance Supplement is more expansive in defining the Allowable Activity and Allowable Costs. The Compliance Supplement includes a description of Activities Allowed for numerous loan or grant activities. This Compliance Supplement also includes a description of Activities Unallowed. The Allowable Activities in the Compliance Supplement concludes with suggested audit procedures for Internal Control analysis.

Allowable Costs/Cost Principles- The Compliance Supplement states that costs incurred for ineligible loans or loans made for unallowable activities or outside of the RLF lending areas are unallowable. The auditor noted that per discussion with auditee personnel, the audit determined that loans did not violate standards. The level of assurance needed to document a review of this compliance requirement was not evidenced in the workpapers.

Matching- The audit workpapers state that matching is not applicable. This varies on a grant-by-grant basis and is set forth in the grant award per the Compliance Supplement. The audit did not note whether the grant award specified the matching amount.

Program Income- As stated by the Compliance Supplement program income is a key feature of RLF awards. Known as RLF income it is used to increase the RLF capital base and to pay eligible and reasonable administrative costs. The audit workpapers did not address this compliance area in the Federal efforts performed. The auditor noted that efforts were performed in the financial audit efforts to determine the amount of program income. This effort appears to adequately determine the viability of the amount earned. However, the audit workpapers do not document efforts to determine the use of the program income.

Reporting- The audit workpapers include copies of the organization’s RLF report, RLF Intermediate Report and STARS report that were submitted. It was not evident that the reports were reviewed to ensure that they were consistent with the organization’s financial records or whether the reports were submitted timely. The Compliance Supplement provides guidance for the audit efforts for Financial Reporting, Performance Reporting and Special Reporting.

Special Tests and Provisions- Except as previously noted regarding the review of loan files, the audit effort did not address aspects of the Compliance Supplement for Special Tests and Provisions. This section includes compliance areas for

- Priority of Payments on Defaulted and Written Off RLF Loans
- RLF Loan Requirements
- RLF Loan Portfolio Sales and Securitizations
- Wage Rate Requirements

The Compliance Supplement also includes Suggested Audit Procedures for the preparing of the audit report and evaluation for completeness and accuracy to reconcile with financial statements and account balances. The SEFA footnotes are consistent with the Compliance Supplement guidance.

Overall, the efforts performed do not provide for a determination of direct and material requirements. The efforts performed do not demonstrate performance with the Suggested Audit Procedures included in the Compliance Supplement for CFDA 11.307.

Based upon our review, the overall rating assigned to the auditor's work is Fail.

This report is intended solely for the Department of Commerce Office of Inspector General.

Very truly yours,

(Original Signed by McBride, Lock & Associates, LLC)

McBride, Lock & Associates, LLC

RESPONSE BY CPA

JENSEN POULSEN & COMPANY, PLLC

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June 16, 2022

Robert Lock
McBride, Lock & Associates, LLC
4151 N Mulberry Drive, Suite 275
Kansas City, Missouri 64116

Response: Quality Control Review of the East-Central Idaho Planning and Development Association

Dear Mr. Lock,

We have received the report of your Quality Control Review of the audit of East-Central Idaho Planning and Development Association as of and for the year ended September 30, 2020. Our response to the results of the Quality Control Review is detailed below.

Response, Corrective Actions, and Rebuttals

Reported Amounts on the Data Collection Reporting Form (SF-SAC)

We agree with your results that showed the amounts of reported expenditures for the Economic Adjustment Assistance program (CFDA 11.07) on the SF-SAC did not match the amounts of reported expenditures for this CFDA on the SEFA. This was due to an error in reporting on the SF-SAC that we have acknowledged from the beginning of this review. In response to this error, we have implemented an additional review of the Data Collection Reporting Form before submission.

The amount reported per the SF-SAC for CFDA 11.302 was \$75,000. The SEFA had reported expenditures of \$190,562. The disclosure explaining this was deemed as confusing and possibly misleading and this has been remedied. After discussion with East-Central Idaho Planning and Development Association, this disclosure has been changed to only reflect the \$75,000 of federal funds and the remainder of the disclosure has been moved to the regular financial statements. The updated disclosure for fiscal year 2020-2021 is:

The EDA Planning Grant has a different fiscal year than East Central Idaho Planning & Development Association. The fiscal year of the EDA Planning Grant is April 1 to March 31. The match required by Grant number ED17SEA3020033 for the 2020 fiscal period is \$37,500.

The EDA Planning Grant has a different fiscal year than East Central Idaho Planning & Development Association. The fiscal year of the EDA Planning Grant is April 1 to March 31. The

match required for the EDA fiscal year is \$75,000 to obtain a \$475,000 grant. The match required by the latest EDA Grant that falls within the 2021 fiscal period is \$37,500.

Audit Efforts on Direct and Material Requirements of the Major Federal Program

The QRC indicates that our audit efforts that are documented are not consistent or adequate to meet the requirements included in the Compliance Supplement. This was determined by each testing requirement and we will respond in the same format. Our updated procedures have been attached for your review.

Activities Allowed and Allowable Costs – We reviewed each loan to test that it met the requirements for allowable activities and allowable costs and we believed our prior method of documenting this was adequate. Per discussion with you, we have decided to increase our documentation and have expanded the testing of allowable activities and costs. Our testing now includes a description of the allowable activity, a description of allowable costs, and a test for unallowable costs.

Allowable Costs/Cost Principles – All loans are now tested and documented for allowable RLF lending area based on the funding area applicable to East-Central Idaho Planning and Development Association.

Matching – We have included a match section of the testing stating whether there is a match and whether it was expended properly.

Program Income – We test the viability of the amount earned and have now taken steps to track the specific loan income and how it was spent. This is detailed on our new testing documentation and all income was used to pay for the associated closing costs, admin fees, and to recapitalize the RLF. No income was used for expenses outside of the RLF.

Reporting – We are now documenting our testing of the intermediate RLF Report along with the STARS reports that are submitted and they are compared to the underlying financial information for accuracy and consistency. We have always tested this area, but did not adequately document that fact.

Special Tests and Provisions – We have expanded documentation of our testing to include all the compliance requirements applicable to RLF loans. We have a test for loan application, loan agreement, RLF approval, promissory note, security agreements, deed of trust / mortgage, prior lien holder agreement, and demonstration that credit is not otherwise available on terms and conditions conducive to successful operation of the activity financed.

Direct and Material Requirements – We are now including workpaper CX-7.3 Risk of Material Noncompliance Assessment Worksheet to determine and document the Direct and Material Requirements in relation to the major program.

We disagree with your assessment of a Fail grade as we did the testing necessary but our documentation was inadequate. With the measures that we have taken to ensure proper documentation for our testing, we feel that our audit should be considered a Pass with deficiencies. We have acknowledged our mistakes and have a genuine desire for improvement and for providing a quality audit.

Thank you,
Jensen Poulsen & Company, PLLC

ECIPDA
RLF SINGLE AUDIT DOCUMENT CHECKLIST
September 30, 2021

| | Allowable Activity | Allowable Costs | Matching / Level of Effort Earmarking | Program Income |
|--------------------------------|-----------------------|--|--|--|
| K&R Commercial Properties, LLC | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| The Mehr's LLC | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| AFS Plumbing Service, Inc. | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| EIYH Holdings, LLC | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| Black Canyon Leasing, LLC | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| Dental Health Properties, LLC | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| Shanory LLC | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| Epic Auto LLC | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| J & D Whitney Holdings LLC | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| K2 Investments | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| Matthew Blanchard | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |
| RCIM Properties LLC | RLF Program | Eligible Loan with No Unallowable Activities | Match was Expended Properly | Income was Tested and Used for Closing Costs, Admin Fees, and Recapitalizing the RLF |

All loan documentation was reviewed to test for allowable activity and costs, unallowable activities and costs, matching requirements, reimbursements for construction contracts, position for collateral, and for the period of availability. All loans met the requirements.

ECIPDA
RLF SINGLE AUDIT DOCUMENT CHECKLIST
September 30, 2021

| Reporting | Subrecipient | Special Tests and Provisions | | | | | | | |
|-----------|---------------|------------------------------|----------------|-------------------|-----------------|---------------------|--------------------------|-------------------|--|
| | Monitoring | Loan Application | Loan Agreement | RLF Loan Approval | Promissory Note | Security Agreements | Deed of Trust / Mortgage | Prior Lien Holder | |
| SA-7 | Annual Visits | X | X | X | X | X | X | N/A | |
| SA-7 | Annual Visits | X | X | X | X | X | X | N/A | |
| SA-7 | Annual Visits | X | X | X | X | N/A | X | N/A | |
| SA-7 | Annual Visits | X | X | X | X | N/A | X | N/A | |
| SA-7 | Annual Visits | X | X | X | X | N/A | X | N/A | |
| SA-7 | Annual Visits | X | X | X | X | X | X | N/A | |
| SA-7 | Annual Visits | X | X | x | X | N/A | X | N/A | |
| SA-7 | Annual Visits | X | X | X | X | X | X | N/A | |
| SA-7 | Annual Visits | X | X | X | X | N/A | X | N/A | |
| SA-7 | Annual Visits | X | X | X | X | N/A | X | N/A | |
| SA-7 | Annual Visits | X | X | X | X | X | X | N/A | |
| SA-7 | Annual Visits | X | X | X | X | N/A | X | N/A | |

ECIPDA
RLF SINGLE AUDIT DOCUMENT CHECKLIST
September 30, 2021

Special Tests and Provisions

| Credit not Otherwise Available | EDA Area | GAAP | Loan Loss |
|--|----------|------|-----------|
| Term and LTV that exceeds conventional banking | X | X | N/A |
| Term and LTV that exceeds conventional banking not enough for conventional downpayment and hospitality | X | X | N/A |
| Insufficient collateral and cash flow for conventional financing | X | X | N/A |
| Start-up Business, No credit elsewhere, No reasonable terms from conventional | X | X | N/A |
| Bank cannot facilitate length of loan without enhancement from SBA, reduce COVID-19 risks | X | X | N/A |
| Insufficient collateral and cash flow for conventional financing | X | X | N/A |
| Term and LTV that exceeds conventional banking | X | X | N/A |
| Insufficient collateral and cash flow for conventional financing | X | X | N/A |
| Term and LTV Insufficient collateral and cash flow for conventional financing | X | X | N/A |
| Less than 2 years of operational history | X | X | N/A |
| Term and LTV that exceeds conventional banking, Insufficient capital for down payment | X | X | N/A |
| Insufficient collateral and cash flow for conventional financing, only one year of historic repayment ability. | X | X | N/A |

Conclusion

The conclusion is based on our review of the auditor's workpapers, the exit conference held on March 21, 2022, and the auditor's response.

Reported Amounts on the Data Collection Reporting Form (SF-SAC)

The auditor concurs that the reported expenditures for the SF-SAC for the Economic Adjustment Assistance Program (CFDA 11.307) is incorrect. The auditor's implementation of an additional review should help to mitigate future occurrences. However, no corrective action for the improper reporting during this reporting period has been addressed.

As it pertains to the amount reported on the SF-SAC for CFDA 11.307, there appears to be continuing confusion as to the true amount of the Federal expenditures for this grant. The auditor uses the term "match" to describe \$75,000 in expenditures for this program. Generally, this term suggests the amount of local funds for the program not the Federal funds. The auditor's solution is to move the footnote information explaining the grant period which differs from the organization's fiscal year. This would not appear to resolve the concern.

Audit Efforts on Direct and Material Requirements of the Major Federal Program

The auditor has generally concurred that the evidential matter provided would not adequately support the review of direct and material requirements for the major program. The auditor has agreed to provide a Risk of Noncompliance Assessment Worksheet as well as documentation of Direct and Material Requirements.

The corrective action relates to improvement to mitigate the concerns in subsequent periods. The evidential matter needed to support the 2020 audit has not been provided.