

City of Muscatine, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

I. Summary of the Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
14.871	Section 8 Housing Choice Vouchers, Housing Choice Voucher Family Self Sufficiency Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

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Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

II. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Significant Deficiencies in Internal Control

None

B. Instances of Noncompliance

None

III. Findings and Questioned Costs for Federal Awards

A. Significant Deficiency in Administering Federal Awards

None

B. Instances of Noncompliance

11-III-A

U.S. Department of Housing and Urban Development
Direct
Section 8 Housing Choice Vouchers
(CFDA 14.871)
Federal Award Year 2009 & 2010

Finding: The City did not reconcile split-funded employees for the actual hours worked in the program compared to the budgeted hours use to charge the federal grant for employees in the Section 8 Housing Choice Voucher Grants for the first half of the fiscal year.

Criteria: The Office of Management and Budget (OMB) Circular A-87 requires distribution of salaries be supported by personnel activity reports or equivalent documentation for all employees who work for more than one cost objective and the documentation be signed by the employee or their supervisor.

Condition: The City did not have records supporting the actual wages for split-funded employees to reconcile with the budgeted percentages used for these employees in the Section 8 Housing Grants for the first half of the fiscal year.

Questioned Costs: \$6,948

Context: Four of 25 transactions tested.

Effect: The City has not properly documented expenditures charged to the federal program.

Cause: The City did not follow OMB Circular A-87 requirements.

Recommendation: We recommend the City maintain actual timecards, personnel activity reports or equivalent documentation for employees working for more than one federal program and the documentation be signed by the employee and their supervisor for all pay periods of the fiscal year.

Response and Corrective Action Plan: Effective January 1, 2011 the City's split-funded Housing staff began recording their work time on each federal housing grant on their weekly timesheets and the housing programs are now in compliance with this requirement. This change was implemented a short time after the prior year audit finding was released. The time allocations could not be accurately computed or reconstructed for the first half of the fiscal year.

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City of Muscatine, Iowa

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

IV. Other Findings Related to Required Statutory Reporting

11-IV-A – Certified Budget: Expenditures/expenses during the year ended June 30, 2011 did not exceed amount budgeted prior to budget being amended or at year-end.

11-IV-B – Questionable Expenditures: No questionable disbursements were noted.

11-IV-C – Travel Expense: No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

11-IV-D – Business Transactions: Business transactions between the City and City officials or employees are detailed as follows:

Transaction Description	Amount
Temporary employment services	\$ 925
Supplies	8,719

Finding: The transactions with Wilson True Value Hardware and Hutmacher Nuisance Service may represent a conflict of interest since they were not entered into through competitive bidding.

Recommendation: We recommend the City consider the relationship as it relates to Chapter 362.5(10) of the Code of Iowa.

Response and Corrective Action Plan: Due to a limited number of local vendors that provide rodent removal services, the City uses Hutmacher Nuisance Service when prompt removal of rodents from various City facilities is needed and other vendors are either not available or would be at a higher cost. The services during the past year were less than the \$1,500 allowed by 362.5(10) of the State Code of Iowa.

Wilson True Value Hardware had been a City vendor for at least 25 years prior to the hiring of the spouse of one of the owners in 2006. This employee is in a non-decision making, non-purchasing related position. City Council approved by motion to continue doing business with this vendor as long as the responsibilities of this employee continue to be unrelated to purchasing and also that the volume of business with this vendor be monitored so that it does not increase significantly (no more than 10%) from the level prior to the hiring of this employee. In March of 2011 the employee's spouse sold her interest in this business and the related party relationship no longer exists.

Conclusion: Response accepted.

11-IV-E – Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions.

11-IV-F – Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

11-IV-G – Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

11-IV-H – Revenue Notes: No instances of noncompliance with the provisions of the City's revenue bond resolutions.