

CITY OF CEDAR RAPIDS, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FISCAL YEAR ENDED JUNE 30, 2003
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Federal Grantor/Pass Through Grantor and Program Title	CFDA Number	Grant Number	Program Or Award Amount	Program Expenditures
<u>U. S. Department of Transportation</u>				
Direct:				
Federal Transit Administration				
Bus Department Grants				
	20.507	IA-90-x241	\$ 1,289,572	\$ 17,451
	20.507	IA-90-x251	1,513,075	40,044
	20.507	IA-03-0082	117,942	39,847
	20.507	IA-90-x226-01	134,668	16,751
	20.507	IA-90-x226-01	1,526,220	1,526,220
	20.507	IA-03-0096-00	9,049,069	15,120
Passed through Iowa Department of Transportation:				
Bus Department Grants				
	20.507	IA-03-0061	5,032	5,032
	20.507	IA-03-0092-118-01	84,000	6,572
	20.507	IA-03-0075-118-95	66,007	66,407
	20.507	IA-03-00xx-118-02	56,800	56,800
	20.507	IA-37-X008-118-02	300,000	111,543
	20.507	IA-37-X006-118-01	200,000	25,726
Passed through Rock Island County Metro Mass Transit District				
	20.507	IL-03-0216-00	1,973,596	327,241
Total 20.507				<u>2,254,754</u>
Direct:				
Federal Aviation Administration				
	20.106	3-19-0012-22	3,177,958	117,299
	20.106	3-19-0012-24	5,332,678	1,677,228
	20.106	3-19-0012-25	247,500	100,938
	20.106	3-19-0012-26	1,061,126	860,571
	20.106	3-19-0012-27-2002	293,120	198,407
	20.106	3-19-0012-28	2,206,219	1,459,933
Total 20.106				<u>4,414,376</u>
Passed through Iowa Department of Transportation				
Surface Transportation Program				
	20.205	STP-ES-1187(641)-81-57	974,400	654,391
	20.205	STP-ES-1187(642)-81-57	1,000,000	791,087
	20.205	STP-E-1187(13)-8V-57	104,500	4,957
	20.205	STP-A-1187(646)-86-57	384,000	290,423
	20.205	STP-U-1187(11)-70-57	3,092,432	9,041
	20.205	BRM-1187(11)-70-57	1,000,000	35,605
	20.205	STP-U-1187(645)-70-57	336,800	331,800
	20.205	STP-U-1187(22)-70-57	3,924,026	8,542
	20.205	STP-A-1187(31)-86-57	486,800	29,953
	20.205	BRM-1187(24)-8N-57	850,000	37,644
Total 20.205				<u>2,193,443</u>

(Continued)

CITY OF CEDAR RAPIDS, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 FISCAL YEAR ENDED JUNE 30, 2003
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Federal Grantor/Pass Through Grantor and Program Title	CFDA Number	Grant Number	Program Or Award Amount	Program Expenditures
<u>U.S. Department of Justice/Iowa Department of Public Safety</u>				
Alcohol Incentive Grant	20.600	02-164, Task 19	7,000	3,000
Traffic Services Grant	20.600	01-02, Task 04 03-04, Task 04	20,000 20,000	12,108 18,549
Total 20.600				<u>33,657</u>
<u>Federal Emergency Management Agency/Linn County, Iowa</u>				
FEMA Grant	85.523	FEMA-IA DR1277	N/A	<u>220,346</u>
FEMA Grant	83.554	EMW-2002-FG-06627	87,764	<u>53,452</u>
FEMA Grant	83.554	EMW-2001-FG-06162	68,000	<u>62,329</u>
<u>U. S. Department of Housing and Urban Development (Direct)</u>				
Community Development Block Grants	14.218	B-99-MC-00-0001	1,555,000	1,533,436
Leased Housing Authority Grant:				
Voucher Assist. Prgm	14.871	IA024VE	3,270,282	5,547,780
H.O.M.E.	14.239	B-00-MC-19-0204	563,000	687,262
Lead Based Paint Abatement Program	14.900	IALGBO17901	2,000,000	265,040
Fair Housing Assistance Program	14.401	FF207K977012	100,000	85,116
EDI Grant	14.xxx	B-99-SP-IA-0084	700,000	110,070
				<u>8,228,704</u>
<u>U. S. Department of Justice (Direct)</u>				
Law Enforcement Block Grant	16.592	2002LBX01461	37,122	<u>37,122</u>
<u>U. S. Environmental Protection Agency (Direct):</u>				
Brownsfield Grant	66.811	BP-997634-01	200,000	69,946
Drinking Water Utilities Grant	66.476	HS-82987801	115,000	46,772
				<u>116,718</u>

(Continued)

CITY OF CEDAR RAPIDS, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 FISCAL YEAR ENDED JUNE 30, 2003
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Federal Grantor/Pass Through Grantor and Program Title	CFDA Number	Grant Number	Program Or Award Amount	Program Expenditures
<u>U.S. Office of Drug Policy</u>				
Passed through Office of Drug Policy				
Health Protection Grant	66.032	5888-PU-001	3,126	3,465
Health Protection Grant	93.991	5888-PU-001	500	1,046
Health Protection Grant	66.707	5888-PU-001	11,123	9,548
				<u>14,059</u>
<u>U.S. Department of Agriculture/Iowa Department of Public Health</u>				
WIC Grant	10.557	588-7-NE99	58,052	54,064
INEN Grant	10.561	588-7-NE99	7,983	1,528
				<u>55,592</u>
<u>U.S. Department of Health and Human Resources/ Iowa Department of Public Health</u>				
Dental Grant	93.994	558-NE99	4,933	4,852
Drug Abuse Information Grant	93.959	588-9P-101	361,392	335,882
Drug Abuse Information Grant	93.283	588-9P-101	9,882	10,035
Drug Abuse Information Grant	93.988	588-9P-101	1,326	1,254
Drug Abuse Information Grant	93.991	588-9P-101	-	1,125
				<u>353,148</u>
<u>U.S. Department of Health and Human Resources/ Division of Health Protection</u>				
Health Protection Grant	93.268	5888-PU-001	48,577	40,636
Health Protection Grant	93.940	5888-PU-001	3,772	4,372
Health Protection Grant	93.977	5888-PU-001	2,585	5,178
Health Protection Grant	93.116	5888-PU-001	1,865	3,907
				<u>54,093</u>
<u>University of Iowa</u>				
ATTC	93.959	LCN360	6,000	6,000
<u>Minnesota Institute of Public Health</u>				
CAPT	93.959	None	2,000	1,263
Total Expenditures of Federal Awards				<u>\$18,099,056</u>

See Notes to the Schedule of Expenditures of Federal Awards

City of Cedar Rapids, Iowa

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Cedar Rapids, Iowa and discretely presented component units for the year ended June 30, 2003. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies expended during the year is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

Revenue from federal awards is recognized when the City has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when they become both measurable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred for expenditures/expenses funded through federal awards.

Note 3. Subrecipients

Of the federal expenditures presented in the schedule, the City of Cedar Rapids, Iowa provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 504,885

City of Cedar Rapids, Iowa

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2003

Comment Number	Comment	Status	Corrective Action or Other Explanation
Reportable Conditions:			
02-II-A	Inadequate segregation of duties over licenses and permit receipts.	Not corrected.	See corrective action plan at 03-II-A.
02-II-B	Inadequate segregation of duties over EDP.	Not corrected.	See corrective action plan at 03-II-B.
02-II-C	Inadequate segregation of duties over the Treasurer's office receipts.	Not corrected.	See corrective action plan at 03-II-C.
02-II-D	Inadequate system to reconcile bank account.	Corrective action taken.	
02-II-E	Inadequate system to monitor void checks.	Corrective action taken.	
Statutory Reporting:			
02-IV-N	Deficit fund balances.	Not corrected.	See corrective action plan at 03-IV-N.

McGladrey & Pullen

Certified Public Accountants

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

To the Honorable Mayor and
Members of the City Council
City of Cedar Rapids, Iowa

We have audited the financial statements of the City of Cedar Rapids, Iowa as of and for the year ended June 30, 2003, and have issued our report thereon dated October 24, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Cedar Rapids, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cedar Rapids, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Cedar Rapids, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-II-A through 03-II-C.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting which we have reported to management of the City of Cedar Rapids, Iowa in a separate letter dated October 24, 2003.

This report is intended solely for the information and use of the Mayor and City Council, management, Federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
October 24, 2003

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Cedar Rapids, Iowa

Compliance

We have audited the compliance of the City of Cedar Rapids, Iowa with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2003. The City of Cedar Rapids, Iowa's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, 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 Nonprofit 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 City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Cedar Rapids, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City of Cedar Rapids, Iowa is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the City of Cedar Rapids, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major Federal program 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. \

This report is intended solely for the information and use of the Mayor and City Council, management, Federal awarding agencies, pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
October 24, 2003

City of Cedar Rapids, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

I. Summary of the Independent Auditor's Report

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? 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
20.106	Airport Improvement Grants
20.205	Surface Transportation Program

Dollar threshold used to distinguish between type A and type B programs: \$542,972

Auditee qualified as low-risk auditee? Yes No

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

II. Findings Related to the General Purpose Financial Statements

Reportable Conditions

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. In gaining an understanding of the City of Cedar Rapids, Iowa's internal control, the following improper segregation of duties were identified:

03-II-A

Condition: The same personnel who collect licenses and permits receipts also reconcile and record the receipts.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend segregating the duties of collecting from reconciling and reconciling from recording of the licenses and permits cash receipts to prevent mismanagement of licenses and permits receipts.

City's Response and Corrective Action Planned: The City is aware of the limited segregation of duties in the Clerk's office and will continue to look for opportunities to realign or reassign duties when possible. Staffing is limited in this department and the City has evaluated the cost/benefit of hiring additional staff, which is not practical at this time.

03-II-B

Condition: The EDP department does not have segregation of duties over programming, computer operations, security administration and librarian functions.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend segregating the duties of programming, computer operations, security administration and librarian functions.

City's Response and Corrective Action Plan: The City continues the process of installing and implementing a new Financial Management Information System. The overall operations of the computer system to include installation and implementation as well as ongoing operations falls within the responsibility of the Financial Operations Manager. Two staff members are also employed with this area. The new system currently functions in a client-server environment and operates with a relational data base. One of the staff members currently serves as the data base administrator. This staff member also has the responsibility for making minor programming changes and loading new releases as they become available. The other staff member serves in more of an operations capacity as well as providing hardware and software support. Along with the overall responsibility for the computer system, the Financial Operations Manager has the responsibility for the security administration. Due to minimal staffing caused by the unavailability of additional funding, the City is limited in its ability to further segregate duties.

City of Cedar Rapids, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

03-II-C

Condition: An individual in the Treasurer's Office may collect receipts, reconcile receipts and access subsidiary ledgers.

Effect: Transaction errors could occur and not be detected in a timely manner.

Recommendation: We recommend segregating the duties of collecting from reconciling and reconciling from access to the subsidiary ledger.

City's Response and Corrective Action Plan: The City is aware of the limited segregation of duties in the Treasurer's office and will continue to look for opportunities to realign or reassign duties when possible. As an added control, the City has implemented a review of all bank reconciliations by the Treasurer. Staffing is limited in this department and the City has evaluated the cost/benefit of hiring additional staff, which is not practical at this time.

Instances of Noncompliance

None

III. Findings and Questioned Costs for Federal Awards

Reportable Condition

None

Instances of Noncompliance

None

IV. Other Findings Related to Required Statutory Reporting

03-IV-A

Official Depositories: A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003. All depositories used by the City are on the state of Iowa approved banks listing.

03-IV-B

Certified Budget: Expenditures for the year ended June 30, 2003 did not exceed the budgeted amounts.

03-IV-C

Questionable Expenditures: We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as this is defined in the Attorney General's opinion dated April 25, 1979.

03-IV-D

Travel Expense: No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

City of Cedar Rapids, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

03-IV-E

Business Transactions: Business transactions between the City and City officials or employees are detailed as follows:

Name	Title	Business Connection	Transaction Description	Amount/Gross	Exemption	Reason
Albert Lnenicka	Parts Seasonal Lbr.	Sole Proprietor	Hay Purchases	\$ 1,672	\$ 1,500	Chapter 362.5 (10)

03-IV-F

Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

03-IV-G

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

03-IV-H

Revenue Bonds: The City has established the sinking and reserve accounts required by the parking revenue bonds.

03-IV-I

Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

03-IV-J

Payment of General Obligation Bonds: We noted no instances of noncompliance with Chapter 384.4 of the Code of Iowa which states in part that "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund."

03-IV-K

Economic Development: We noted no instances of noncompliance with Chapter 15A of the Code of Iowa regarding public purpose of expenditures.

03-IV-L

Notice of Public Hearing for Public Improvements: We noted no instances in which the City did not publish notice of public hearing as required by Chapters 384.102 and 362.3 of the Code of Iowa.

03-IV-M

Sales Tax: We noted no instances of noncompliance with Sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue and Finance Administrative Rules and Regulations regarding uniform assessment of sales tax.

City of Cedar Rapids, Iowa

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

03-IV-N

Financial Condition: The H.O.M.E. Fund and Hotel-Motel Tax Fund, special revenue funds, have deficit fund balances of \$80,353 and \$465,967, respectively, as of June 30, 2003.

Recommendation: The City should investigate alternatives to eliminate the deficits in order to return these accounts to a sound financial position.

City's Response: Due to the implementation of GASB No. 33, nonexchange revenues for the H.O.M.E. program are subject to deferral, thus causing a deficit fund balance for the year ended June 30, 2003. It is felt that this is a temporary deficit and will be rectified in the next fiscal year.

A loan from the Risk Management Fund for \$960,000 to cash flow the construction of the ice arena has caused a deficit in this fund. The loan will be paid back with future Hotel-Motel Tax allocations and it is anticipated that this deficit is temporary.

City of Cedar Rapids, Iowa

Corrective Action Plan

Year Ended June 30, 2003

Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
Reportable Conditions:					
03-II-A	Inadequate segregation of duties over licenses and permit receipts.	See corrective action plan at 03-II-A	Ann Olinger, City Clerk	June 1996	N/A
03-II-B	Inadequate segregation of duties over EDP.	See corrective action plan at 03-II-B	Linda Tebussek, Financial Operations Manager	June 1996	July 2003
03-II-C	Inadequate segregation of duties over the Treasurer's office receipts.	See corrective action plan at 03-II-C	William Kinney, City Treasurer	June 1997	N/A
Statutory Reporting:					
03-IV-N	Deficit fund balances.	See corrective action plan at 03-IV-N	Bob McMahon, City Controller-Auditor	June 2001	N/A