

Sample City CITY  
COMPLIANCE GUIDE

Purpose: To select compliance items to be tested and/or document testing.

Source: Workpapers as referenced.

Scope: Compliance items tested each year are based on risk assessment.

Conclusion: Compliance selection and/or testing is documented per Compliance Guide and workpapers.

	FY16	FY17	FY18
Incharge			
Manager			
Independent Reviewer			

Sample City **CITY COMPLIANCE GUIDE**

**Code Compliance Risk Assessment**

Compliance Area	FY16		FY17		FY18	
	Risk Factors **	Risk of Non-Compliance*	Risk Factors **	Risk of Non-Compliance*	Risk Factors **	Risk of Non-Compliance*
Audit Planning						
Cash						
Investments						
Capital Assets						
Long-Term Debt						
Fund Balance/Net Position						
Tax Increment Financing						
Receipts/Revenues						
Disbursements/Expenditures						
Payroll						
Transfers						
Budgets						
Insurance						

<b>**Compliance Risk Factors:</b> (Include the applicable risk above.)			
1.	Relatively simple compliance issues.	8.	New or amended compliance requirement.
2.	Personnel responsible for compliance are competent and experienced.	9.	New or poorly trained personnel.
3.	No comments regarding non-compliance noted in the prior year.	10.	Complexity of compliance issues likely to result in non-compliance.
4.		11.	Report comment regarding non-compliance noted in the prior year.
5.		12.	Non-report comment regarding non-compliance noted in the prior year.
6.		13.	
7.		14.	

<b>*Risk of Non-Compliance:</b>	
H	High
M	Moderate
L	Low

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This compliance guide was developed to implement a risk-based approach to testing compliance requirements. In implementing a risk-based approach, compliance requirements will be selected to test based on the compliance risk assessment. To document the auditor’s consideration of risk, a code compliance risk assessment form has been included in this guide.

Each compliance requirement in this guide has been placed into one of four categories. The categories are based on significance of the compliance requirements. The table below provides a description of each category.

<u>Category</u>	<u>Description</u>
<b>Items which must be tested</b> – required comments or public expectation of oversight.	
1	Test and document annually. (required statutory report comments)
2	Test on a rotating basis, at least every three years, based on risk assessment. Workpaper documentation required.
<b>Inquiry with limited observation and documentation:</b>	
3	Inquire about compliance only if considered necessary based on risk assessment. Document the City’s response to inquiry and observation in remarks column. (If auditor becomes aware of non-compliance, it should be addressed).
<b>Addendum:</b>	
4	Items which are not considered to be significant – test if considered necessary based on risk assessment and specific audit situation (if auditor becomes aware of non-compliance in one of these areas, it should be addressed). If procedures are performed, include workpaper documentation, as necessary.

**Procedures**

- 1) Review prior year comments and enter “15” in the “Non-Compliance Noted/FY” column for each compliance requirement that had a comment.
- 2) Based on the risk of non-compliance set for each compliance area, indicate which procedures will be performed during the current year’s audit with a tick mark in the “Selected” column. Keep in mind the audit approach to compliance may need to be revised based on information obtained during the course of the audit. If you are aware a compliance requirement does not apply, indicate “N/A” in the “Selected” column.
- 3) Perform compliance procedures as selected.
- 4) Enter “16” in the “Non-Compliance Noted/FY” column for each compliance requirement that had a comment.
- 5) Guide should be filed in the Permanent File for multiple year use.

**2016 Revisions**

- 1) Current year new or revised procedures have been noted as **(16)**.
- 2) Deleted procedure under Auditing Planning 1. f. 4).
- 3) In addition to this updated City Compliance Guide, we have made available a 2016 City Compliance Guide Supplement which details changes made to the prior year City Compliance Guide. The Supplement may be used to update the prior year Compliance Guide in lieu of completing a new guide each year.

**Sample City CITY COMPLIANCE GUIDE**

	Cate- gory	Non-compl iance Noted/FY	FY16				FY17				FY18			
			Sele- cted	Done By	WP Ref	Remarks	Sele- cted	Done By	WP Ref	Remarks	Sele- cted	Done By	WP Ref	Remarks
<b>AUDIT PLANNING:</b>			<b>Risk:</b> H M L				<b>Risk:</b> H M L				<b>Risk:</b> H M L			
1. Council Minutes:														
a. Determine and document if minutes were properly signed in accordance with Chapter 380.7 of the Code of Iowa.	2													
b. Determine, on a test basis, if meetings were preceded by proper notice. (Chapter 21.4 of the Code of Iowa).	2													
c. Determine if the minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.	2													
d. Determine if the passage of ordinances, amendments or resolutions were by a majority vote of all the members of the Council rather than a majority vote of a quorum of the Council in accordance with Chapter 380.4 of the Code of Iowa.	2													
e. Determine if minutes document the Council followed proper proceedings for any closed sessions. (Chapter 21.5 of the Code of Iowa)														
1) The session was closed by affirmative roll call vote of at least two-thirds of the members.	2													
2) The specific exemption under Chapter 21.5 of the Code of Iowa was identified and documented.	2													
3) Final action was taken in open session.	2													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>AUDIT PLANNING (continued):</b>														
f. Determine, on a test basis, if minutes were published (or posted) within 15 days of the meeting in accordance with Chapter 372.13(6) of the Code of Iowa and included:														
1) Total disbursements from each fund.	2													
2) A list of all claims allowed (including the reason for the claim).	2													
3) A summary of all receipts.	2													
2. 28E organizations, municipal utilities and Administrative Agencies:														
a. Determine if the City was a member of a Chapter 28E organization with gross receipts in excess of \$100,000 in a fiscal year.	1													
b. Determine if the City has a separate municipal utility and/or Administrative Agency per Chapter 392 of the Code of Iowa.														
1) If the City owns or operates a municipal utility providing telecommunication services, determine if the provisions of Chapter 388.10 of the Code of Iowa have been followed.	1													
2) If the City owns or operates a municipal utility providing telecommunication services, determine the City or the municipal utility annually certifies its compliance with Chapter 388.10 of the Code of Iowa and this certification is attested to by the Auditor of State or a Certified Public Accountant certified in Iowa.	1													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
c. If so, determine if arrangements have been made for an audit in accordance with Chapter 11.6 of the Code of Iowa.	1													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>CASH:</b>			<b>Risk:</b> H M L				<b>Risk:</b> H M L				<b>Risk:</b> H M L			
1. Determine unclaimed property per Chapter 556.1(12) of the Code of Iowa has been reported to the State Treasurer annually before November 1 per Chapter 556.11 of the Code of Iowa.	3													
2. Determine a depository resolution including all depositories used by the City has been approved as required by Chapter 12C.2 of the Code of Iowa.	3													
3. Determine the allowability of any sweep accounts.	3													
4. Determine if uninsured public funds deposited in a credit union were secured by a letter of credit in an amount at least 110% of the uninsured amount.	2													
5. Stamped Warrants:														
a. Determine debt instruments issued comply with provisions of Chapter 74 of the Code of Iowa	3													
b. Determine interest rates paid on stamped warrants are within legally allowable limits as established by the State Rate Setting Committee in accordance with Chapter 74A of the Code of Iowa.	3													

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<b>INVESTMENTS:</b>			<u>Risk:</u> H M L				<u>Risk:</u> H M L				<u>Risk:</u> H M L			
1. Determine if the City has adopted a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.	1													
2. Determine changes to the investment policy comply with the provisions of Chapter 12B.10B of the Code of Iowa and have been approved by the City Council.	1													
3. Determine investment transactions complied with the written investment policy.	1													
4. Determine all investments are authorized and comply with statutory provisions of Chapter 12B.10 of the Code of Iowa, as applicable.	1													
5. If applicable, determine if the City has an appropriate public funds custodial agreement as prescribed in Chapter 12B.10C of the Code of Iowa and the Treasurer of State’s administrative rules.	3													
6. Determine the underlying collateral of repurchase agreements consists of authorized investments and the City has taken delivery of the collateral either directly or through an authorized custodian as provided in Chapter 12B.10(5)(a)(5) of the Code of Iowa.	3													



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<b>INVESTMENTS (continued):</b>														
7. Determine investment income was received and recorded in the proper fund.  Specifically, in accordance with Chapter 12C.9(2) of the Code of Iowa, interest earned on the proceeds of notes, bonds, refunding bonds and other evidence of indebtedness and funds being accumulated for the payment of principal and interest or reserves (debt service/TIF) is:														
a. Used to pay the principal or interest as it comes due on the indebtedness (credited to Debt Service or TIF Funds).	3													
b. Credited to the Capital Projects Fund for which the indebtedness was issued.	3													
8. Test interest rates to determine whether rates are in accordance with statutory rates established by the State Rate Setting Committee.	1													
9. Identify the outside persons who invested public funds, provided advice on the investing of public funds, directed the deposit or investment of public funds or acted in a fiduciary capacity for the City.	1													
a. Determine the contracts or agreements with outside persons require the outside person to notify the City in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the contracts or agreements.	1													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>INVESTMENTS (continued):</b>														
b. Obtain and review the following:														
1) The most recent audited financial statements and related report on internal control of outside persons involved in investing activities for the City.														
2) The most recent annual report to shareholders, call reports or the findings pursuant to a regular examination under state or federal law of a bank, savings and loan or credit union.														
3) The most recent annual report to shareholders of an open-end management investment company, unincorporated investment company or investment trust registered with the SEC.														

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>CAPITAL ASSETS:</b>			<u>Risk:</u> H M L				<u>Risk:</u> H M L				<u>Risk:</u> H M L			
1. Determine compliance with the provisions of Chapter 364.7 of the Code of Iowa relating to the disposition of real property.	3													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>LONG-TERM DEBT:</b>			<b>Risk:</b> H M L				<b>Risk:</b> H M L				<b>Risk:</b> H M L			
1. General obligation, special assessment and revenue bonds or notes:														
a. Determine general obligation debt payments were recorded in the Debt Service Fund in accordance with Chapter 384.4 of the Code of Iowa.	2													
b. Determine and document procedures for bonds or notes sold during the current year were in compliance with Chapters 75, 384 and 403.9 of the Code of Iowa.	2													
c. Determine and document interest rates on bonds sold during the period are within the interest rates authorized by Chapter 74A of the Code of Iowa.	2													
d. Determine and document bond or note proceeds are being used in accordance with bond provisions.	2													
e. Determine if special assessment balances are adequate to provide for early retirement of bonds and, if so, determine disposition in accordance with Chapter 384.68 of the Code of Iowa.	2													
f. Determine tax increment financing bonds debt payments were paid from the tax increment account in accordance with Chapter 403.19(2) of the Code of Iowa.	2													
g. Determine the indebtedness of the City was within the Constitutional limit of 5% of the value of taxable property in accordance with the Iowa Constitution, Article XI.3.	1													

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<b>LONG-TERM DEBT (continued):</b>														
h. Determine the City has complied with the reporting requirements of SEC Rule 15c2-12. Effective July 1, 2009, issuers are subject to ongoing filing requirements for issuances of more than \$1,000,000. All continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system ( <a href="http://www.emma.msrb.org">www.emma.msrb.org</a> ).	3													
i. Determine if the City has established written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Service rules.	2													
2. Anticipatory Warrants/Obligations:														
a. Review authorization for issuance of these obligations.	3													
b. Determine debt instruments issued comply with provisions of Chapter 74 of the Code of Iowa.	3													
3. Capital Leases And Installment Purchases – Determine agreements were properly authorized in accordance with Chapter 364.4 of the Code of Iowa.	3													
4. Determine loan and other agreements comply with Chapters 364.4(4), 384.24A, 384.83, 403.9 and 423B.9 of the Code of Iowa.	3													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>FUND BALANCE:</b>			<u>Risk:</u> H M L				<u>Risk:</u> H M L				<u>Risk:</u> H M L			
1. If applicable, determine any funds maintained for City police reserve peace officers are accounted for in a Special Revenue Fund. (Chapter 80D.11 of the Code of Iowa defines such officers as employees of the governing body.)	3													
2. Determine the Annual Financial Report required by Chapter 384.22 of the Code of Iowa was completed and filed by December 1.	2													
3. Determine the City filed the annual report for a perpetual care cemetery with the Insurance Commissioner within four months following the end of the cemetery's fiscal year in accordance with Chapter 523I.813 of the Code of Iowa.	3													

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<b>TAX INCREMENT FINANCING:</b>			<u>Risk:</u> H M L				<u>Risk:</u> H M L				<u>Risk:</u> H M L			
1. Determine tax increment financing (TIF) collections were properly recorded in a separate Special Revenue Fund (TIF fund) as required by Chapter 403.19 of the Code of Iowa.	1													
2. Determine the TIF collections in the TIF fund were disbursed or transferred to pay TIF obligations that qualify for payment (within the urban renewal plan) from TIF collections and such obligations were previously certified to the County Auditor as TIF debt and/or Low-Moderate Income housing (LMI).	1													
3. Obtain a copy of the Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation prepared by the County Auditor.														
a. Review the Reconciliation to identify and document the City's certified TIF obligations.	1													
b. Scan the Reconciliation for unusual or unallowable obligations (i.e. debt certified more than once, projected costs, etc.).	1													
4. Determine the following regarding the Tax Increment Debt Certificate due December 1 of the fiscal year under audit:														
a. The amounts certified on Form 1 and Form 1.1, or equivalent documents, for TIF debt not previously certified are supported and represent loans, advances or other qualified indebtedness or bonds which qualify for payment from the TIF revenues for each urban renewal area in the City as required by Chapter 403.19(6)(a) of the Code of Iowa and the Certificate was filed by December 1. <b>For annual appropriated debt, the amount certified should be limited to the amount appropriated to be paid in the next fiscal year.</b>	1													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>TAX INCREMENT FINANCING (continued):</b>														
NOTE: In general, qualified TIF indebtedness must (1) be for a program in the urban renewal area, (2) be for an activity covered by the allowable list in Chapters 403.6(6) and 403.12(1) of the Code of Iowa, (3) be for a project covered by the plan and (4) further the goals of the plan.														
b. The City used Form 2, or an equivalent document, to properly reduce the TIF request if/when the total amount of the legally available TIF increment tax was not wanted.														
c. The City certified Form 3, or an equivalent document, to reduce the amount previously certified by December 1 in the year action was taken which resulted in the reduction, as required by Chapter 403.19(6)(b) of the Code of Iowa.														
NOTE: Required reductions include payments from sources other than TIF revenue, interest on investments, site proceeds of TIF property, reduction of required principal and interest payments due to refunding or refinancing of the obligation or for any other reason (i.e. interest earned or property sales proceeds are required to be credited to the TIF fund).														
5. Annual Urban Renewal Report:														
a. Obtain the urban renewal report due December 1 of the fiscal year under audit and determine the:														
1) Report was approved by the City Council.														



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<b>TAX INCREMENT FINANCING (continued):</b>														
2) Report was filed on or before December 1.	1													
3) Amounts reported on the Levy Authority Summary agree with City records.	1													
b. Obtain and review the City’s detailed TIF obligations (debt) listings and determine “TIF Debt Outstanding” on the Levy Authority Summary includes the following:														
1) <u>Certified Debt</u> – TIF obligations outstanding, including principal and interest, certified to the County Auditor as of July 1 of the period covered by the urban renewal report <b>and</b> ,	1													
2) <u>Certifiable Debt</u> – Outstanding TIF obligations incurred during the fiscal year covered by the urban renewal report, including annual appropriation debt not yet certified.	1													
c. Determine rebate agreements, if any, have been properly reported as project(s), including total debt and expense.	1													
d. TIF collections remaining after an urban renewal area is no longer active, if any, were returned to the County Treasurer as required by Chapter 24.21 of the Code of Iowa.	1													
6. For urban renewal areas with public improvements related to housing and residential development, determine if assistance for low and moderate income (LMI) housing was provided in accordance with Chapter 403.22 of the Code of Iowa.	1													

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<b>TAX INCREMENT FINANCING (continued):</b>														
7. For reinvestment districts established in economic development enterprise zones or urban renewal areas, obtain a copy of the report due October 1 and determine if the report includes the following pursuant to Chapter 15J.4(6) of the Code of Iowa:														
a. The status of each project undertaken in the district in the previous 12 months.	2													
b. An itemized list of expenditures from the reinvestment project fund for projects undertaken in the district in the previous 12 months.	2													
c. The amount of total project cost remaining for each project undertaken within the district as of the date of the report	2													
d. The amounts, types and sources of funding used for each project.	2													
e. The amount of any indebtedness incurred for each project including information related to the rate of interest, term, issuance cost, net proceeds and types of funds to be used for payment.	2													
8. For reinvestment districts, determine if the project funds on hand, including interest, exceed the amount necessary to support completion of the project and any excess was remitted to the Iowa Department of Revenue pursuant to Chapter 15J.7(1) of the Code of Iowa.	2													

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<b>RECEIPTS/REVENUES:</b>			<u>Risk:</u> H M L				<u>Risk:</u> H M L				<u>Risk:</u> H M L			
1. Property Tax:														
a. Determine the proceeds of any special levies were expended in accordance with statutory provisions (e.g. Chapter 670 of the Code of Iowa for insurance premium levy.)	1													
b. If the City received a portion of the physical plant and equipment levy tax from a school district in accordance with Chapter 403.19(2) of the Code of Iowa:														
1) Review the request prepared by the City for reasonableness.	1													
2) Determine the amount certified by the City was necessary to pay the principal and interest on indebtedness incurred by the City before July 1, 2001.	1													
c. Determine the City levied the minimum tax for the purpose of providing financial support to public libraries in accordance with Chapter 256.69 of the Code of Iowa.	2													
d. Determine voter approved levies were properly authorized in accordance with Chapter 384.12 of the Code of Iowa.	2													
2. Other City Taxes:														
a. Determine local option tax receipts were expended in accordance with local provisions. Obtain a copy of the ballot authorizing the local option tax.	2													
b. Determine hotel/motel tax receipts were credited to the General Fund in accordance with Chapter 423A.7(3) of the Code of Iowa and were expended in accordance with Chapter 423A.7(4) of the Code of Iowa.	2													

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			Sele- cted	Done By	WP Ref	Remarks	Sele- cted	Done By	WP Ref	Remarks	Sele- cted	Done By	WP Ref	Remarks
<b>RECEIPTS/REVENUES (continued):</b>														
c. For utility franchise fees collected pursuant to an ordinance adopted or amended on or after 5-26-09, determine:														
1) The fee does not exceed 5% of gross revenues generated from sales of the franchisee in accordance with Chapter 364.2(4)(f) of the Code of Iowa.	2													
2) A revenue purpose statement was prepared and published prior to adopting or amending the fee in accordance with Chapter 364.2(4)(f) of the Code of Iowa.	2													
3) The fees collected were credited to a utility franchise fee account within the General Fund and used in accordance with the City's revenue purpose statement and Chapter 384.3A of the Code of Iowa.	2													
3. Enterprise revenues – Obtain a copy of rates and test rates charged against those authorized and determine rates were properly established by ordinance of the City Council or resolution of the Board of Trustees in accordance with Chapter 384.84 of the Code of Iowa.	2													
4. Determine whether sales and hotel/motel taxes were collected on the appropriate transactions and remitted to the Iowa Department of Revenue in accordance with Chapters 423.2, 423.3 and 423A of the Code of Iowa.	3													
5. Determine whether any sales tax revenue received pursuant to Chapter 418.13 of the Code of Iowa was deposited in the City's flood project fund.	3													

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<b>RECEIPTS/REVENUES (continued):</b>														
6. Determine I-Jobs funds received were expended in accordance with the applicable agreement(s) and the City complied with any applicable reporting requirements.	2													
7. Reinvestment Project Fund – Determine sales and hotel/motel taxes received from the Iowa Department of Revenue were deposited into a separate fund for reinvestment projects pursuant to Chapter 15J.7 of the Code of Iowa.	2													
8. Joint County-City Building:														
a. Determine any tax levy imposed under Chapter 346.27(22) of the Code of Iowa was deposited into a separate account in the City’s Debt Service Fund.	2													
b. Determine any funds expended are for the payment of the annual rent and disbursed pursuant to Chapter 346.27(22) of the Code of Iowa.	2													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>DISBURSEMENTS/EXPENDITURES:</b>			<b>Risk:</b> H M L				<b>Risk:</b> H M L				<b>Risk:</b> H M L			
1. For travel and questionable disbursements:														
a. Scan account detail for travel expenses and disbursements which may not meet public purpose criteria.	1													
b. Prepare workpapers, as necessary, to adequately document for report presentation.	1													
2. Review disbursements to determine if the City has incurred expenditures, including contributions to outside organizations, for economic development. If expenditures were incurred:														
a. Review for appropriateness and public purpose in accordance with Chapter 15A of the Code of Iowa.	3													
b. For contributions to outside organizations, determine the City received documentation of how the funds were used.	3													
3. If canceled checks are not received, are electronically retained check images (both front and back) received per Chapter 554D.114(5) of the Code of Iowa?	3													
4. For capital projects and other construction contracts (for bid/quote thresholds applicable prior to 1-1-15, refer to the 2014 Compliance Guide):														
a. Determine the City complied with public hearing and bidding requirements in accordance with Chapters 26.3 through 26.13 of the Code of Iowa, including:	2													

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<b>DISBURSEMENTS/EXPENDITURES (continued):</b>														
1) For public improvements (other than road, bridge and culvert projects) with an estimated total cost in excess of the competitive bid threshold in Chapter 26.3 of the Code of Iowa or as established in Chapter 314.1B of the Code of Iowa (\$135,000 effective 1-1-15).	2													
2) For contracts for road, bridge or culvert construction work where the engineer's estimate exceeds the amount established by the bid threshold committee per Chapter 314.1B of the Code of Iowa. (Cities with a population of 50,000 or less, \$50,000 effective 1-1-15 and Cities with a population of more than 50,000, \$72,000 effective 1-1-15.	2													
3) Determine the City advertised for sealed bids as provided in Chapter 26.3 of the Code of Iowa and published notice not less than 4 days but not more than 45 days before the date for filing bids.	2													
4) Determine the City published notice of the public hearing not less than 4 nor more than 20 days before the date of the hearing as provided in Chapters 26.12 and 362.3 of the Code of Iowa.	2													
5) Determine the City had an engineer licensed under Chapter 542B, a landscape architect licensed under Chapter 544B or an architect registered under Chapter 544A prepare the plans and specifications and calculate the estimated total cost of the proposed public improvement as required by Chapter 26.3 of the Code of Iowa.	2													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>DISBURSEMENTS/EXPENDITURES (continued):</b>														
6) Determine the City awarded the contract for the public improvement to the lowest responsive, responsible bidder as required by Chapter 26.9 of the Code of Iowa.	2													
b. Determine the City received competitive quotes for public improvement projects (other than road, bridge and culvert projects) in accordance with Chapter 26.14 of the Code of Iowa for projects with estimated costs less than required bid thresholds but greater than the threshold amount established by the bid threshold committee per Chapter 314.1B of the Code of Iowa. (Cities with a population of less than 50,000, \$55,000 effective 1-1-15 and Cities with a population of 50,000 or more, \$75,000 effective 1-1-15)														
1) For work performed by City employees, other than repair or maintenance work, determine the City filed a quotation for the work to be performed in the same manner as a contractor as required by Chapter 26.14(3)(a) of the Code of Iowa.	2													
2) Determine the City awarded the contract for the public improvement to the contractor submitting the lowest responsive, responsible quotation as required by Chapter 26.14(3)(b) of the Code of Iowa.	2													
c. Determine any enhancement payments made for early completion of the project did not exceed 10 percent of the value of the contract in accordance with Chapter 26.9 of the Code of Iowa.	3													



**Sample City CITY COMPLIANCE GUIDE**

	Category	Non-compliance Noted/FY	FY16				FY17				FY18			
			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>DISBURSEMENTS/EXPENDITURES (continued):</b>														
d. Determine the City applied for and received sales tax refunds on completed projects unless an exemption certificate was issued by the City for the contractor per Chapter 423.3(80)(b) of the Code of Iowa.	3													
e. For public improvement projects, including road, bridge and culvert projects, determine the City complied with requirements for the early release of retained funds in accordance with Chapter 26.13 of the Code of Iowa.	3													
f. Determine construction contracts do not contain clauses which would make the in-state construction contracts subject to the laws of another state or which require litigation, mediation, arbitration or other dispute resolution proceedings be conducted in another state in accordance with Chapter 537A.6 of the Code of Iowa.	3													
5. Determine mileage was paid at a rate approved by the City Council and was not in excess of the amount allowable under Internal Revenue Service rules as provided by Chapter 70A.9 of the Code of Iowa.	2													
6. Community Disaster Grants – Determine funds were disbursed in accordance with Iowa Administrative Code (IAC) Section 605 (Iowa Homeland Security and Emergency Management Agency) Chapter 13.4 and as specified in the grant application.	2													

**Sample City CITY COMPLIANCE GUIDE**

	Category	Non-compliance Noted/FY	FY16				FY17				FY18			
			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>DISBURSEMENTS/EXPENDITURES (continued):</b>														
7. Flood Mitigation Program – Determine funds were disbursed in accordance with Chapter 418.10 of the Code of Iowa.	3													
8. Reinvestment Project Fund – Determine funds were disbursed in accordance with the proposed project plans and Chapter 15J.7 of the Code of Iowa.	2													
9. Joint County-City Building – Determine funds were disbursed for the payment of annual rent and were in accordance with Chapter 346.27(22) of the Code of Iowa.	2													
10. <b>(16)</b> Determine if the City has provided the necessary information to the Department of Transportation to track use of increased excise tax on motor fuel revenue pursuant to Chapter 312.2 of the Code of Iowa. Funds are to be used exclusively for critical road and bridge construction projects that significantly extend the life of such assets.	2													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>PAYROLL:</b>														
						<u>Risk:</u> H M L								
1.	Determine if Forms 941, W-3 or W-2 were filed with the IRS, as appropriate.	3												
2.	Determine actual gross salaries have been published as required for all employees in accordance with Chapter 372.13 of the Code of Iowa and an Attorney General’s opinion dated April 12, 1978.	3												
3.	If the City has a tax levy for employee benefits, review payments from this account to ensure the levy is used only for benefits for employees whose salary is paid from the General Fund or the Road Use Tax Account in accordance with City Finance Committee rules.	2												
4.	Determine, through testing, any increases in wages for the Mayor or City Council Members comply with Chapter 372.13 of the Code of Iowa.	2												
5.	Determine if any employees receive a flat dollar allowance for travel, clothing or uniform cleaning. If so, determine if this allowance is included in taxable income on the W-2.	3												
6.	Determine if the City provides vehicles or housing for employee use. If so, determine if these qualify as taxable benefits per IRS regulations and, if applicable, were properly reported as taxable income on the employee’s W-2.	3												
7.	Determine if the City properly prepared Form 1099 for outside services of \$600 or more and determine workers were properly classified as independent contractors rather than employees.	3												

**Sample City CITY COMPLIANCE GUIDE**

	Category	Non-compliance Noted/FY	FY16				FY17				FY18			
			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>TRANSFERS:</b>														
				<u>Risk:</u> H M L										
1.	Trace transfers to approval in the City Council minutes or budget, as applicable.	2												
2.	Review transfers for propriety and document findings.	2												

**Sample City CITY COMPLIANCE GUIDE**

	Category	Non-compliance Noted/FY	FY16				FY17				FY18			
			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>BUDGETS:</b>			<u>Risk:</u> H M L											
1. Examine proof of publication for published budget and reconcile to adopted budget. Notice of the public hearing on the budget must be published not less than ten nor more than twenty days before the hearing in accordance with Chapter 384.16(3) of the Code of Iowa. Determine the tax levy adopted was not in excess of the estimate published in accordance with Chapter 384.16(5) of the Code of Iowa.	1													
2. Compare property tax askings and total disbursements between the published budget and the budget certificate summary to determine tax askings and total disbursements were not increased after publication in accordance with Chapter 384.16(5) of the Code of Iowa.	1													
3. Determine hearings were held and publications were made in accordance with Chapter 384.16 of the Code of Iowa.	3													
4. Determine if amendments were adopted before disbursements exceeded the function budget. (Chapter 384.20 of the Code of Iowa.).	1													
5. If an amendment was adopted, determine if it was adopted by May 31.	3													
a. If not, determine if amendment was protested.	3													
b. If protested, determine if a State Appeal Board decision was reached before June 30.	3													

**Sample City CITY COMPLIANCE GUIDE**

	Category	Non-compliance Noted/FY	FY16				FY17				FY18			
			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>INSURANCE:</b>														
					<u>Risk:</u> H M L									
1.	1	Verify and review surety bond coverage for reasonableness and compliance with statutory requirements for all officials and employees in accordance with Chapters 64.13 and 64.15 of the Code of Iowa.												
2.	1	Determine surety bonds are approved and records are kept of the bonds in accordance with Chapters 64.19 to 64.24 of the Code of Iowa.												
3.	1	If the City has a self-funded health insurance plan, including self-funded deductibles, obtain a copy of the actuarial report required by Chapter 509A.15 of the Code of Iowa.												

**Sample City CITY COMPLIANCE GUIDE**

	Category	Non-compliance Noted/ FY	FY16				FY17				FY18			
			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>ADDENDUM:</b>														
<b>AUDIT PLANNING:</b>														
1. Determine if the City has complied with Chapter 380.8 of the Code of Iowa regarding the City's Code of Ordinances:														
a. If the City maintains a Code of Ordinances, is it updated by:														
1) At least annually compiling a supplement to the Code of ordinances consisting of all new ordinances and amendments to ordinances which became effective during the previous year and adopting the supplement by resolution or,														
4														
2) Adding, at least annually, the new ordinances and amendments to ordinances to the code of ordinances itself.														
4														
b. If the City does not maintain a Code of Ordinances as stated in 1(a), the City compiles a Code of Ordinances at least once every five years in accordance with Chapter 380.8(1)(c) of the Code of Iowa.														
4														

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<b>ADDENDUM:</b>														
<b>CASH:</b>														
1. Determine the City has determined all public fund deposits with banks have met the requirements of Chapter 12C.22 of the Code of Iowa (Pledging of Public Funds Program).	4													
2. Stamped warrants – Determine if interest paid was computed in accordance with Chapter 74.6 of the Code of Iowa.	4													



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<b>ADDENDUM:</b>														
<b>INVESTMENTS:</b>														
1. Determine investment income was received and recorded in the proper fund. Specifically:														
a. Interest on road use tax funds is recorded in the General Fund in accordance with Chapter 12C.7(2) of the Code of Iowa.	4													
b. Interest on cemetery perpetual care funds is recorded in the General Fund or other fund used for cemetery operations in accordance with Chapter 523I.508 of the Code of Iowa.	4													

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			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>ADDENDUM:</b>														
<b>LONG-TERM DEBT:</b>														
1. Determine the disbursements of the Debt Service Fund were limited to the following purposes in accordance with Chapter 384.4 of the Code of Iowa:														
a. Judgments against the City, except those authorized by law to be paid from other funds.	4													
b. Interest and principal of all general obligation bonds/notes issued by the City.	4													
c. Payments required to be made from the Debt Service Fund under a lease or lease-purchase agreement.	4													
d. Payments authorized to be made from the Debt Service Fund to a flood project fund under Chapter 418.14(4) of the Code of Iowa.	4													
e. Payments required to be made from the Debt Service Fund under a loan agreement.	4													

**Sample City CITY COMPLIANCE GUIDE**

	Category	Non-compliance Noted/FY	FY16				FY17				FY18			
			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>ADDENDUM:</b>														
<b>RECEIPTS/REVENUES:</b>														
1. Enterprise revenues – Review rate structure to determine rates are not discriminatory in accordance with Chapter 388.6 of the Code of Iowa.	4													
2. Sale of Bonds/Notes:														
a. Determine if premiums or discounts and accrued interest from the sale of bonds were in compliance with Chapter 75.5 of the Code of Iowa.	4													
b. Determine interest rates on special assessment bonds are not in excess of the rates collected on individual assessments.	4													
c. Determine proceeds of notes, bonds, refunding bonds and other evidence of indebtedness, if not immediately needed, were invested in accordance with Chapter 12C.9(1) of the Code of Iowa.	4													

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	Category	Non-compliance Noted/FY	FY16				FY17				FY18			
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<b>ADDENDUM:</b>														
<b>DISBURSEMENTS/EXPENDITURES:</b>														
1. For capital projects and other construction contracts, determine if the annual report to the Department of Transportation included the cost accounting of all instances of the use of day labor and contracts for construction per Chapter 312.14 and 314.1A of the Code of Iowa.	4													
2. If solid waste fees were retained or received from a separate entity in accordance with Chapter 455B.310 of the Code of Iowa, determine if the fees were expended only for the purposes allowed in Chapter 455B.310(4) of the Code of Iowa.	4													
3. If additional solid waste fees of twenty-five cents of the tonnage fee were retained in accordance with Chapter 455B.310 of the Code of Iowa:														
a. Determine if an updated comprehensive plan has been approved by the Iowa Department of Natural Resources.	4													
b. Determine if the fees were expended only for the purposes allowed in Chapter 455B.310(3) of the Code of Iowa.	4													

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<b>ADDENDUM:</b>														
<b>PAYROLL:</b>														
1. Vehicle Usage:														
a. Obtain a copy of the City’s policy regarding vehicle usage. Identify specifics for:														
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	Category	Non-compliance Noted/FY	FY16				FY17				FY18			
			Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks	Selected	Done By	WP Ref	Remarks
<b>ADDENDUM:</b>														
<b>BUDGETS:</b>														
1. Determine proof of publication exists for each published budget amendment.	4													
2. Determine the budget was certified by March 15. If not, determine the tax levy was limited to the prior year's budget amount per Chapter 384.16(6) of the Code of Iowa.	4													

**Sample City CITY COMPLIANCE GUIDE**

	Cate- gory	Non-compl iance Noted/ FY	FY16				FY17				FY18			
			Sele- cted	Done By	WP Ref	Remarks	Sele- cted	Done By	WP Ref	Remarks	Sele- cted	Done By	WP Ref	Remarks
<b>ADDENDUM:</b>														
<b>INSURANCE:</b>														
1. If the City has a self-funded health insurance plan, including self-funded deductibles:														
a. Determine if a copy of the actuarial opinion and annual financial report were filed with the Insurance Commissioner within 90 days of year-end.														
	4													
b. If an actuarial report was not obtained because the City qualified under Chapter 509A.15(4) of the Code of Iowa, determine a waiver was properly requested from the Iowa Insurance Division.														
	4													