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# **NEWS RELEASE**

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## **State Concludes Reaudit of Dubuque's FY2016 Audit**

DUBUQUE, Iowa – The Office of Auditor of the State of Iowa today released a reaudit report for the City of Dubuque for fiscal year (FY) 2016, the period of July 1, 2015, through June 30, 2016. The reaudit was performed at the request of a citizens' petition submitted to the Auditor of State. The reaudit identified several procedural modifications and offered recommendations for the City to implement.

Each year, the City of Dubuque is audited by an independent, certified public accounting firm and the results of those audits are shared in a public meeting of the Dubuque City Council and are available for public review, as required by Iowa Code. In response to the petition request for reaudit, the Office of State Auditor reviewed the City's annual audit report and workpapers for FY2016 and a partial reaudit was conducted to look at specific issues identified in the petition request that were outside the independent auditor's work. Some prior and current fiscal year transactions were also reviewed as necessary.

Specifically, the petition submitted to the State requested the reaudit to review:

1. "Audit of Dubuque Initiatives and the money trail between the City and Dubuque Initiatives."
2. "For conflicts of interest, in particular between the City Manager and his wife's organization, Community Foundation of Greater Dubuque."
3. "Conflicts of interest involving Gronen Restoration, aka John Gronen."
4. "The sale of the 18th Street Engine House for \$1.00 to Dubuque Bank and Trust."
5. "The connection between Van Milligen and Dubuque Bank and Trust."
6. "The City's total indebtedness for general obligation bonds, tax increment financing bonds, parking fund bonds, sewer bonds, water bonds, storm water bonds and Roshek Building indebtedness."
7. "Movement of funds between departments without proper approval."
8. "Dubuque's vehicle expenditures as compared to cities of comparable size."

**(MORE)**

The reaudit by the Office of State Auditor focused on the first five concerns. The State determined items 6 and 7 were sufficiently reviewed by the City's independent auditors and item 8 was either outside the scope of the reaudit or was not considered to be an audit issue.

### **Payments to Community Foundation of Greater Dubuque**

The reaudit's detailed findings related to City agreements with and payments to the Community Foundation of Greater Dubuque related to Inclusive Dubuque, Project HOPE, and Every Child Every Promise. The State Auditor recommended better documentation and reporting to ensure the activities are part of an economic development plan. In response to the findings, the City cited how those three initiatives support the City's economic development efforts, emphasizing that "Economic development means private or joint public and private investment involving the creation of new jobs and income or the retention of existing jobs and income that would otherwise be lost."

Although the City's partner agencies have been providing regular reports to City staff and presentations to City Council detailing the outcomes of their programs/activities, based on the reaudit, the City has created a financial reporting form that all its partner agencies are now using to submit written quarterly reports.

As requested by the Auditor of State, the City will consult with independent legal counsel to determine the appropriateness of the past disbursements referenced for an evaluation of whether any or all funds should be returned to the City.

### **Business Transactions**

Regarding the concerns of a conflict of interest between City Manager Mike Van Milligen and the Community Foundation of Greater Dubuque (CFGD) because Van Milligen's spouse, Nancy Van Milligen, is president and CEO of the CFGD, the Auditor of State recommended the City consult independent legal counsel to review the potential conflict issue. In the future, the City should ensure all potential conflicts of interest transactions, contracts, or agreements are competitively bid in accordance with section 362.5(i) of the Code of Iowa and maintain adequate documentation to evidence bids and decisions. Also, the City should ensure there are no conflicts of interest when awarding grants, loans, guarantees, tax incentives, or other financial assistance in accordance with Iowa Code.

In response, the City asserted there is no conflict of interest and transactions complied with state code. The agreements between the CFGD and the City were approved by the City Council in public City Council meetings. Additionally, the City has always disclosed the relationship between the Van Milligens to its auditors, who also agreed that it does not meet the definition of related party or conflict of interest as defined by Iowa Code.

As requested by the Auditor of State, the City of Dubuque will consult with independent legal counsel to further evaluate conflicts of interest and will use competitive bidding where required. Future contracts with CFGD will be recommended to the City Council by the City Attorney and not the City Manager.

**(MORE)**

## **Sale of the 18<sup>th</sup> Street Engine House**

In June 2011, after a public hearing, the City Council approved the sale of the former fire engine house #1 at 1805 Central Ave. to a non-profit organization (Engine House #1, LLC – Dubuque Initiatives). The sale, for \$1, was part of a development agreement to redevelop the building for use by non-profit organizations to serve neighborhood residents. Subsequently, in August 2011, the non-profit then assigned the agreement to Dubuque Bank and Trust (DB&T) Community Development Corporation. The City Council approved the re-assignment of the development agreement to the DB&T Community Development Corporation. The Auditor of State concluded the City should have held another public hearing before the final resolution on the reassignment was approved.

As requested by the Auditor of the State, the City will consult with independent legal counsel to determine the legal propriety of the transaction disposing of the 18th Street Engine House. The City will ensure dispositions of real property follow the Iowa Code and subsequent revisions are documented in City Council meeting minutes.

## **Disbursement Approval**

The reaudit noted that all City disbursements (payments) are not approved by City Council prior to disbursement and the City did not have a written disbursement policy allowing certain routine monthly bills and payroll items to be paid prior to City Council approval.

As a result of this reaudit finding, effective July 1, 2018, the City Council began approving accounts payable payments before checks are issued. Also, effective July 1, the City Council gave authorization to the City's finance director to issue checks in payment of select expenditures, itemized the City Council resolution, prior to City Council approval. Previously, even though disbursements were not required to have prior preapproval from City Council, the City has always provided City Council with a listing of monthly expenditures, which are also published monthly in the Telegraph Herald newspaper.

The reaudit report acknowledged the assistance provided by officials and personnel of the City of Dubuque during the course of the reaudit. A copy of the complete reaudit report is available for review on the Auditor of State's website at <https://auditor.iowa.gov/reports/audit-reports/>, in the Office of Auditor of State, and in the City of Dubuque City Clerk's Office at 50 West 13<sup>th</sup> Street.

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