CITY OF PROTIVIN

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2010 THROUGH JUNE 30, 2011

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CITY OF PROTIVIN

OFFICIALS
June 30, 2011

Name	Title	Term Expires
Michael Lensing	Mayor	December 31, 2011
James Panos	Mayor Pro-Tem	December 31, 2011
Milan Mohn	Council Member	December 31, 2013
Dale Ryan	Council Member	December 31, 2013
Adam Polashek	Council Member	December 31, 2011
Ken Panos	Council Member	December 31, 2013
Zita Bruess	Clerk/Treasurer	Indefinite
Kevin Schoeberl	Attorney	Indefinite

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and Members of the City Council

We have performed the following procedures for the year ended June 30, 2011, which were agreed to by the City of Protivin, solely to assist the City in evaluating its certification the City complied with Chapter 388.10 of the Code of Iowa that it did not subsidize its telecommunication systems and/or services. The City's management is responsible for the City's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. **We obtained an understanding of the City's internal control over the City's telecommunications system and services.**
2. **We obtained and reviewed copies of the City's ordinances and resolutions pertaining to the City's telecommunications system and services, including rates charged.**
3. **We reviewed and/or tested selected transactions for billings, collections, receipts, disbursements, transfers and balances pertaining to the City's telecommunications system and services.**
4. **We reviewed and tested the City's cost allocations.**

No exceptions to the requirements of Chapter 388.10 of the Code of Iowa were noted as a result of performing the procedures described above. However, we identified various recommendations for the City, which are described in the detailed recommendations section of this report.

We were not engaged to conduct an examination, the objective of which is the expression of an opinion on the City's compliance with the requirements of Chapter 388.10 of the Code of Iowa. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Protivin and other parties to whom the City of Protivin may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 12, 2011

(A) Segregation of Duties

One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas for the City:

(1) Accounting system – performing all general accounting functions and custody of assets.
(2) Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
(3) Investments – detailed record keeping, custody of investments and reconciling earnings.
(4) Receipts – collecting, depositing, journalizing, reconciling and posting.
(5) Utility receipts – billing, collecting, depositing, posting and reconciling.
(6) Disbursements – check writing, reconciling, check signing and posting.
(7) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.
(8) Financial reporting – preparing, reconciling and distributing.

Recommendation

We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of independent reviews should be indicated by initials of the independent reviewer and the date of the review.

Response

We will comply with the recommendation.

Conclusion

Response accepted.