

CITY OF GILBERTVILLE

INDEPENDENT AUDITOR'S  
EXAMINATION REPORT

For the Period  
July 1, 2012 through June 30, 2013

## TABLE OF CONTENTS

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Detailed Recommendations:	<u>Finding</u>	
Segregation of Duties	A	4
1099 Forms	B	4
Annual Financial Report	C	4
Outstanding Obligations Report	D	4
Business Transactions	E	5
Public Purpose Documentation	F	5
Supporting Documentation	G	5
Countersignature of Checks	H	5
Sales Tax	I	5

**City of Gilbertville**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Harry Fischels	Mayor	January 2014
Mark Thome	Council Member	January 2016
Harold Kavalier	Council Member	January 2014
Scott Becker	Council Member	January 2016
Pamela Meinert	Council Member	January 2014
Edward Savage	Council Member	January 2014
Teresa Adamson	Clerk/ Treasurer	Indefinite
John McCoy	Attorney	Indefinite

## Independent Accountant's Examination Report

To the Honorable Mayor and  
Members of the City Council:

I have performed an examination of the City of Gilbertville pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Gilbertville for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property of the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. I reviewed the City's TIF debt certification forms and filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.

12. I reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the operations of the City of Gilbertville, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Gilbertville, additional matters might have come to my 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 Gilbertville and other parties to whom the City of Gilbertville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Gilbertville during the course of my examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

July 31, 2014

## **Detailed Recommendations**

City of Gilbertville

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

(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. Generally, one individual has control over each of the following areas for the City:

- 1) Cash – handling, reconciling and recording.
- 2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- 3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 4) Payroll – recordkeeping, preparation and distribution.
- 5) Utilities – billing, collecting, depositing and posting.
- 6) Financial reporting – preparing and reconciling.
- 7) Journal entries – preparing and journalizing.

Recommendation – I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) 1099 Filings – The City is not filing a 1099 form with the Internal Revenue Service for those vendors who received payment in excess of \$600.00.

Recommendation – The City should ensure all vendors receiving payments in excess of \$600.00 receive a 1099 form as required by the Internal Revenue Service.

(C) Annual Financial Reporting – The City prepared the Annual Financial Report (AFR) for the fiscal year ended June 30, 2013 timely. However, Part V Debt outstanding issued and retired was reported incorrectly. General Obligation Bonds were understated by \$90,000 and debt retired during the year was overstated by \$40,000.

Recommendation – The City should ensure future reports are filed correctly.

(D) Outstanding Obligations Report – The Outstanding Obligations Report for the fiscal year 2013 was filed with the Treasurer of Iowa timely. However, the amount of debt reported was incorrect. It was understated by \$90,000.

Recommendation – The City should ensure future reports are file correctly.

City of Gilbertville

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

(E) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Harold Kavalier, Council Member, employed by United Concrete	Concrete	\$137
Brian Delegardelle, Public Works Director, Ownder of Urban Services LLC	Lease building Skid Loader and Tractor Use	1,200 1,959
		<u>\$3,296</u>

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with Delegardelle for the building lease and equipment usage may represent a conflict of interest since they are more than \$1,500. The transaction with Kavalier does not appear to represent a conflict of interest because it is less than \$1,500.

Recommendation – The City should consult legal counsel to determine the disposition of these matters.

(F) Public Purpose Documentation – Certain disbursements I believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not clearly documented were noted. Theses disbursements are detailed as follows:

<u>Paid to</u>	<u>Transaction Description</u>	<u>Amount</u>
Fareway	Food for EMS meeting	\$49
Subway	Sandwiches for EMS meeting	\$37

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin. Appropriate verbal explanations were given.

Recommendation – The City should include documentation with disbursements that explains the public benefit at the time the disbursement is made.

(G) Supporting Documentation – Supporting documentation was not available to support 1 of 41 disbursements tested in the amount of \$600.00. A copy from the vendor was provided at a later date.

Recommendation – Supporting documentation for all disbursements should be available at the time the disbursement is made.

(H) Countersignature of Checks – The City requires checks to be signed by two authorized individuals. I noted 1 of 41 checks examined with only one authorized signature.

Recommendation – Checks should be prepared and signed by one authorized individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature. The second signer should be a member of the governing body.

(I) Sales Tax – Sales tax was paid by the City on 3 of 41 disbursements tested.

Recommendation – Supporting documentation should be reviewed carefully before disbursements are made.