

CITY OF JANESVILLE  
INDEPENDENT AUDITOR'S  
EXAMINATION REPORT

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

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**City of Janesville**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jane Mackay	Mayor	January 2014
Doug Bettis	Mayor Pro-Tem	January 2014
Susan Stapleton	Council Member	January 2014
Shane Hoff	Council Member	January 2014
Ben McAllister	Council Member	January 2016
Angela Watson	Council Member	January 2016
Christine Murley	Clerk/ Treasurer	Indefinite
Carole Tomkins	Deputy Clerk	Indefinite
Gary Boveia	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 Janesville 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 Janesville 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 Janesville, 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 Janesville, 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 Janesville and other parties to whom the City of Janesville 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 Janesville during the course of my examination. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
Keith Oltrogge  
Certified Public Accountant

March 19, 2014

## **Detailed Recommendations**

**City of Janesville**

**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) Bank Reconciliations – The cash and investment balances in the City's general ledger were reconciled to bank and investment account balances throughout the year. However, for the one month reviewed, bank and book balances did not properly reconcile. Variances of \$159.00 were not resolved. In addition, the bank reconciliations are not independently reviewed.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

(C) Deposit Resolution – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

(D) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting and include a summary of all receipts. The minutes for all meetings tested did not include a summary of receipts.

Recommendation – The City should comply with the Code of Iowa and publish a summary of receipts in the City Council minutes, as required.

City of Janesville

Detailed Recommendations

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

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility Billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts.

- (F) Supporting Documentation – Supporting documentation was not available to support 5 of 64 disbursements tested in the amounts of \$400, \$150, \$682.63, \$8.75 and \$102.04.

Recommendation – The City should maintain supporting documentation for all disbursements.

- (G) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City has tax increment financing (TIF) debt of \$0 outstanding at June 30, 2013. The City had cash on hand of \$35,624 at June 30, 2013 in the Special Revenue, Urban Renewal Tax Increment Fund to pay for the TIF debt outstanding. Therefore, the City had \$35,624 more cash on hand than needed to pay the TIF debt outstanding.

I also noted engineering fees were paid from the TIF Fund. With few exceptions, the City must use TIF revenue for the payment of TIF indebtedness. The City may not use TIF Funds for the direct payment of project costs.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (H) Urban Renewal Annual Report – The urban renewal annual report for the fiscal year 2012 was not certified to the Iowa Department of Management on or before December 1, 2012.

Recommendation – The City should file the annual report in a timely manner.

- (I) Credit Card Policy – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the type of supporting documentation required to substantiate charges.

**City of Janesville**

**Detailed Recommendations**

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

- (J) Electronic Check Retention – Section 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for the bank accounts.

Recommendation – The City should obtain and retain an image of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (K) Receipts – Property tax electronic deposits for the twelve months did not agree with the general ledger, there was a \$546.57 difference.

Recommendation – The City should implement procedures to ensure all receipts are properly recorded in the accounting records.

- (L) Annual Financial Reporting – The City prepared the Annual Financial Report (AFR) for the fiscal year ended June 30, 2013. However, the report was prepared with accrual expenses included, not on a cash basis. Total AFR balances report were \$1,940,190 when actual cash basis would have been \$1,942,362. Also Part V Debt outstanding issued and retired was reported incorrectly. General Obligation Bonds at July 1, 2012 should have been \$96,000.

Recommendation – The Annual Financial Report should be completed and filed as required by Chapter 384.22 of the Code of Iowa. In addition, the City should ensure future AFR's are reported on the cash basis, and that all funds are classified correctly on the AFR.

- (M) Deposit Slips – The City does not receive images of the deposit slips for the money market account.

Recommendation – The City should contact the bank and have images of all deposit slips available with all statements in order to perform proper accounting and reconciliations in the future.

- (N) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- 1) Aid in training additional or replacement staff.
- 2) Help achieve uniformity in accounting and in application of policies and procedures.
- 3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.