

CITY OF TRIPOLI

**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
Bank Reconciliations	B	4
Reconciliation of Utility Bills, Collections and Delinquent Accounts	C	4
City Council Minutes	D	5
Certified Budget	E	5
Tax Increment Financing	F	5
Electronic Check Retention	G	6
Urban Renewal Annual Report	H	6
Receipts	I	6
Annual Financial Report (AFR)	J	6
Employee Benefits Levy	K	6
Financial Conditions	L	6
Unsupported Disbursements	M	7
Accounting Policies and Procedures Manual	N	7

City of Tripoli

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Norbert (Jay) Raynard	Mayor	January 2016
Dan Woods	Mayor Pro-Tem	January 2016
Kevin Sievers	Council Member	January 2014
Rollie Ott	Council Member	January 2016
Randy Kirchhoff	Council Member	January 2016
Fred Homeister	Council Member	January 2014
DeAnn Lahmann	Clerk/ Treasurer	Indefinite
Pat Dillon	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 Tripoli 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 Tripoli 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 years 2012 and 2013 Annual Financial Reports (AFR) to determine whether they were completed timely and if they accurately reflect 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 and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 Tripoli, 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 Tripoli, 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 Tripoli and other parties to whom the City of Tripoli 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 Tripoli 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 25, 2014

Detailed Recommendations

City of Tripoli

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 and Clerk's reports were reconciled to bank and investment account balances. For the two months reviewed, bank and book balances did not properly reconcile. I also noted a problem with check numbers in the general ledger not matching the documentation.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger and Clerk's reports monthly. Variances, if any, should be reviewed and resolved timely.

(C) 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.

City of Tripoli

Detailed Recommendations

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

(D) City Council Minutes – The following were identified:

- The City Council went into closed session on June 24, 2012. The meeting was not closed in accordance to Chapter 21.5 of the Code of Iowa because the minutes did not state the purpose for the closed meeting by reference to a specific code section and the vote for each Council Member to go into closed session was not recorded. A complaint was filed with the State of Iowa Citizen's Aide/Ombudsman because of this violation of the Iowa Open Meetings Law. The City Council subsequently received training on the Iowa Open Meetings Law.
- I also noted not all minutes are signed by the Mayor as required by Chapter 380.7 of the Code of Iowa.
- The City Council held a "work session" on October 7, 2013 – but decisions were made at the meeting.
- Chapter 21.3 of the Code of Iowa requires the minutes to contain information sufficient to indicate the vote of each member present. I noted two employees were hired (Police Chief and Janitor) without the Council's vote being documented.
- Also, the police vehicle was purchased without taking bids.

Recommendation – Closed meetings should be held in compliance with Chapter 21.5 of the Code of Iowa. The minutes should state the purpose for which the meeting is being closed by reference to a specific code section and the vote of each individual Council Member should be recorded. The minutes should also include documentation of all Council actions and votes. The minutes should be printed and signed as required by Chapter 380.7 of the Code of Iowa.

(E) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the debt service, capital projects and business-type functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

(F) 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 \$10,400 outstanding at June 30, 2013. The City had cash on hand of \$23,314 at June 30, 2013 in the Special Revenue, Urban Renewal Tax Increment Fund to pay for the TIF debt outstanding. Therefore, the City had \$12,914 more cash on hand than needed to pay the TIF debt outstanding.

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

City of Tripoli

Detailed Recommendations

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

- (G) 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.

- (H) Urban Renewal Annual Report – The City’s annual urban renewal report for fiscal year 2013 over reported actual TIF debt by \$10,790.

Recommendation – The City should amend the annual urban report to report the proper amount of TIF debt.

- (I) Receipts – Property tax electronic deposits for the twelve months did not agree with the general ledger, there was a \$769.01 difference, due to miscellaneous revenue posted to the wrong accounts.

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

- (J) Annual Financial Reporting – The 2012 Annual Financial Report (AFR) did not accurately report the ending fund balances for the fiscal year 2012 because investments were overstated by \$61,701. The 2013 Annual Financial Report (AFR) did not accurately report the beginning and ending fund balances for fiscal year 2013. The ending balances were under stated by \$344. Also, the debt reported in Part V was overstated by \$56,000.

Recommendation – The City should establish procedures to ensure the AFR, including the beginning and ending fund balances, is accurate and supported. The City should ensure fund balances from prior year are carried forward and ending balances agree with the June 30 general ledger balances.

- (K) Employee Benefits Levy – The City levies property tax for insurance purposes. The property tax levy can only be used to pay for benefits of employee salaries paid from the General Fund and Road Use Tax Fund. During fiscal year 2013, the City incorrectly paid \$11,012 for benefits of employee salaries paid by the Enterprise, Water Fund and Enterprise, Sewer Fund.

Recommendation – The City should implement procedures to ensure compliance with payments from the employee benefits levy, in accordance with the City Finance Committee Rules. In addition, all costs incurred by the Enterprise, Water Fund and the Enterprise, Sewer Fund should be repaid from those funds.

- (L) Financial Condition – The following Funds had deficit balances at June 30, 2013:

<u>Fund</u>	<u>Deficit Balance</u>
Debt Service	\$35,155
Employee Benefit Levy	9,946
Celebration	512
Housing Rehab	39,211

Recommendation – The City should investigate alternatives to eliminate the deficit balances in order to return the funds to a sound financial condition.

City of Tripoli

Detailed Recommendations

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

(M) Unsupported Disbursements – Certain disbursements selected for testing totaling \$85,185.21 were not supported by receipts. The disbursements were for supplies, land and building demolition. The City also paid \$2,825.09 on credit card statements without supporting receipts. These disbursements were for gas, supplies and training.

Recommendation – The City Council should establish written policies and procedures, including the requirements for proper documentation for instances when obtaining a receipt may not be possible. Such policies should be clearly communicated to City employees upon adoption.

(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.