

**City of Buffalo**

**INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT**

**FOR THE PERIOD  
JULY 1, 2012 THROUGH JUNE 30, 2013**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Accountant's Examination Report		4-6
Detailed Recommendations:	Finding	
Segregation of duties	A	8
Deposits and Investments	B	8
Certified Budget	C	9
Separately Maintained Records	D	9
Accounting Procedures Manual	E	9

**CITY OF BUFFALO**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Anderson	Mayor	January 2014
Joan Marie Hammons	Council Member	
	Mayor Protem	January 2016
Dana Jo Smith	Council Member	January 2014
Kim Buchanan	Council Member	January 2014
Olin Meador	Council Member	January 2016
David Stickrod	Council Member	January 2016
Tanna Leonard	City Clerk	Indefinite
Rachael Chase	Deputy Clerk	Indefinite

Randy L. Linn, CPA  
David A. Schebler, CPA  
Randall B. Sovey, CPA

# **HUCKFELDT & SMITH**

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL LIABILITY COMPANY

## **Independent Accountant's Examination Report**

To the Honorable Mayor  
and Members of City Council:

We have performed an examination of the City of Buffalo pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Buffalo 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 we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We 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. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We 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. We 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. We reviewed the City's fiscal year 2012 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We 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 to the State of Iowa

9. We reviewed debt and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and determined whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
11. We 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.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our 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.

We were not engaged to and did not conduct an audit of the operations of the City of Buffalo, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Buffalo, additional 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 Buffalo and other parties to whom the City of Buffalo may report. This report is not intended to be and should not be used by anyone other than these specific parties.

The Honorable Mayor  
and Members of City Council  
Page Three

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

A handwritten signature in black ink, appearing to read "Huckfeldt & Smith P.L.C.", written in a cursive style.

Huckfeldt & Smith P.L.C.

January 29, 2014

## **Detailed Recommendations**

## City of Buffalo

### 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, reconciling and approving financial reports.
- (7) Journal entries – preparing and journalizing.
- (8) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (9) Long-Term debt – recording, reconciling and performing transactions.
- (10) Computer system – controlling data inputs and outputs related to accounting systems

Recommendation – We 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) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. However one of the banks being used is not listed on the resolution.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required

## City of Buffalo

### Detailed Recommendations

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

Recommendation (continued) – by Chapter 12C.2 of the Code of Iowa. The City either add the unlisted bank to the resolution or withdraw all funds from that bank.

- (C) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the general government function. 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.

- (D) Separately Maintained Records – The City of Buffalo Fire Department maintains separate accounting records for certain operations. These transactions and resulting balances are not included in the City’s accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis.

- (E) Accounting Procedures Manual – We encourage the development of office procedures and standardized accounting manuals for the City. In addition, we encourage obtaining or developing user manuals/help guides for the accounting software the City utilizes. These manuals and guides would provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure city accounts are appropriately utilized.
- (5) Improve the efficiency and understanding of steps to perform for running monthly financial reports and retrieving management information.

Recommendation – Office procedures and accounting manuals should be developed or obtained.