

CITY OF CHARTER OAK
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

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CITY OF CHARTER OAK

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Larson	Mayor	Jan 2014
Robert Hageman	Council Member	Jan 2018
Kai Keiner	Council Member	Jan 2018
Dwayne Bolton	Council Member	Jan 2016
Randy Weed	Council Member	Jan 2016
Pamela Tripp	Clerk/Treasurer	Indefinite
Rick Frank	Attorney	Indefinite

Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of Charter Oak 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 Charter Oak 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 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. 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.
8. We 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.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.

10. 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.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 Charter Oak, 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 Charter Oak, 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 Charter Oak and other parties to whom the City of Charter Oak may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Charter Oak 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.

Hamilton Associates, P.C.

Council Bluffs, Iowa
February 3, 2014

Detailed Recommendations

CITY OF CHARTER OAK

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, recording, reconciling and posting.
- (3) Payroll – recordkeeping, preparation and distribution.
- (4) Utilities – billing, collecting, depositing and posting.

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.

City Response – We have implemented as many compensating controls as possible to help mitigate the above risk. These procedures include writing receipts for all cash received, and having the Mayor pick up the mail, take deposits to the bank, and open and sign the bank statements.

- (B) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings include the total amount disbursed from each fund. 4 of 4 board minutes selected for testing did not include the amount disbursed from each fund.

Recommendation – The City should comply with the Code of Iowa and include the total amount disbursed from each fund in the city council minutes, as required.

City Response – As of January 8, 2014 board minutes include the total disbursements by fund. We were unaware this was a requirement.

CITY OF CHARTER OAK

DETAILED RECOMMENDATIONS

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

(C) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee (CFC) on September 25, 2002.

- We noted two revenue account codes which were not consistent with the Uniform Chart of Accounts
- We noted one special revenue fund which had no function associated with it.
- We noted a transfer out which was recorded as an expense rather than as a transfer out as required by the Uniform Chart of Accounts.

Recommendation – To provide better financial information and control, the CFC chart of accounts, or equivalent, should be followed.

City Response – Accounts were set up years ago when the chart of accounts was first issued. Account and function codes will be fixed to coincide with the current chart of accounts.

(D) Reconciliation of Annual Financial Report (AFR) to city records – The ending fund balances on the AFR did not agree to the city records. The following variances were noted:

	Per City Records	Per AFR	Variance
General	\$ 293,441	\$ 309,479	\$ 16,038
Special Revenue	115,603	100,454	(15,149)
Proprietary	102,127	101,238	(889)
Total	\$ 511,171	\$ 511,171	\$ -

Recommendation – The city should adjust the AFR to agree to the city’s records to ensure accurate fund balances are reported to the Iowa Auditor of State.

City Response – We were aware of the variance between the city records and the AFR, this issue was brought to the auditor’s attention at the time of the audit. We will make the required adjustment to correct the variance going forward.