



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____ August 25, 2014 _____ Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Urbana, Iowa for the period July 1, 2013 through June 30, 2014. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible. The City should also reconcile utility billings, collections and delinquent accounts. In addition, the City should comply with Chapter 384.20 of the Code of Iowa by ensuring the budget is amended before disbursements exceed budgeted amounts by function.

A copy of the agreed-upon procedures report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1421-0042-BL0F.pdf>.

###

CITY OF URBANA

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

Table of Contents

| | <u>Page</u> |
|--|------------------|
| Officials | 3 |
| Independent Accountant's Report on Applying Agreed-Upon Procedures | 5-6 |
| Detailed Recommendations: | <u>Finding</u> |
| Segregation of Duties | A 8 |
| Reconciliation of Utility Billings, Collections and Delinquent Accounts | B 8 |
| City Council Minutes | C 8 |
| Certified Budget | D 8-9 |
| Financial Condition | E 9 |
| Annual Financial Report | F 9 |
| Credit Card Policy | G 9 |
| Unclaimed Property | H 9 |
| Transfers | I 9 |
| Annual Urban Renewal Report | J 9 |
| Staff | 10 |

City of Urbana

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|----------------------|---------------------|
| <u>(Before January 2014)</u> | | |
| E. Duane Eldred | Mayor | Jan 2014 |
| Dennis Wayson (Appointed) | Council Member | Nov 2013 |
| Mike Kramer | Council Member | Jan 2014 |
| Mike Smith | Council Member | Jan 2014 |
| Jamie Duart | Council Member | Jan 2016 |
| John Werning | Council Member | (Resigned Dec 2013) |
| Traci Wilson | City Clerk/Treasurer | Indefinite |
| Chris Nydle | Attorney | Indefinite |
| <u>(After January 2014)</u> | | |
| E. Duane Eldred | Mayor | Jan 2016 |
| Mike Smith (Appointed) | Council Member | Nov 2015 |
| Jamie Duart | Council Member | Jan 2016 |
| Jacki Michael | Council Member | Jan 2018 |
| Mike Kramer | Council Member | Jan 2018 |
| Gary Benson | Council Member | Jan 2018 |
| Traci Wilson | City Clerk/Treasurer | Indefinite |
| Chris Nydle | Attorney | Indefinite |

City of Urbana



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council:

We have performed an agreed-upon procedures engagement of the City of Urbana pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Urbana for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 surety 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 recommended Uniform Chart of Accounts (COA) 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 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 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.
10. We reviewed the City's TIF debt certification forms 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.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 City of Urbana, the objective of which is the expression of opinions on the City's 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 Urbana, 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 Urbana and other parties to whom the City of Urbana 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 Urbana during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 16, 2014

Detailed Recommendations

City of Urbana

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (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 – invoice processing, check writing, mailing, reconciling and recording.
 - (4) Payroll – recordkeeping, preparing and distributing.
 - (5) Utilities – billing, collecting, depositing and posting.
 - (6) Journal entries – preparing and journalizing.

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 and journal entries should be documented by the signature or initials of the reviewer and the date of the review.

- (B) 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. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (C) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings to be published within fifteen days of the meeting. Minutes for one meeting tested were not published within fifteen days and no proof of publication could be found for another meeting.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days, as required.

- (D) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the capital projects function prior to the May 14, 2014 budget amendment. In addition, disbursements for the year ended June 30, 2014 exceeded the amounts budgeted in the debt service and business type activities 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.”

City of Urbana

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

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.

- (E) Financial Condition – The Capital Projects, Blue Creek Park Fund and the Capital Projects, 2012 Capital Improvement Fund had deficit balances of \$5,659 and \$45,310, respectively, at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

- (F) Annual Financial Report – The beginning fund balances for the governmental and proprietary columns did not agree to the ending balances reported in the prior year Annual Financial Report.

Recommendation – The City should ensure the Annual Financial Report beginning balances agree with the prior year ending balances.

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

Recommendation – The City should adopt a formal written policy regulating the use of the City's credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to support the purchase.

- (H) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City Clerk to report and remit outstanding obligations, including checks, trusts and bonds, held for more than two years to the Office of Treasurer of State annually. The City has not remitted unclaimed property to the Office of Treasurer of State annually.

Recommendation – The City should implement procedures to ensure outstanding checks, trusts, and bonds are reviewed annually and amounts over two years old are remitted to the Office of Treasurer of State, as required.

- (I) Transfers – Transfers, while approved by the City Council, were not all properly coded. One transfer was coded to the wrong fiscal year and one donation was incorrectly coded as a transfer.

Recommendation – Transfers should be coded and recorded properly.

- (J) Annual Urban Renewal Report – The City improperly recorded the amount of TIF debt outstanding on the Levy Authority Summary for the Sewer Revenue Bond.

Recommendation – The City should ensure amounts reported on the Levy Authority Summary agree with the City's records.

City of Urbana

Staff

This agreed-upon procedures engagement was performed by:

Brian R. Brustkern, CPA, Manager
Tyler L. Carter, Staff Auditor
Zack D. Kubik, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State