

CITY OF TRIPOLI  
INDEPENDENT ACCOUNTANT'S  
REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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**City of Tripoli**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</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	City Clerk/ Treasurer	Indefinite
Pat Dillon	Attorney	Indefinite
<u>(After January 2014)</u>		
Norbert (Jay) Raynard	Mayor	January 2016
Dan Woods	Mayor Pro-Tem	January 2016
Kevin Sievers	Council Member	January 2018
Rollie Ott	Council Member	January 2016
Randy Kirchhoff	Council Member	January 2016
Fred Homeister	Council Member	January 2018
DeAnn Lahmann	City 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 the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. 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, 2013 through June 30, 2014. The City of Tripoli's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

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 sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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 recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2014 Annual Financial Report (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 recommended COA.
13. I 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.
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

December 4, 2014

## **Detailed Recommendations**

**City of Tripoli**

**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 – 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.

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. The City should require bank statements for all accounts be received monthly from the bank.

(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, 2013 through June 30, 2014**

(D) City Council Minutes – The City Council made decisions at meetings that were labeled “work sessions”.

- 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 – All meetings should be held in compliance with Chapter 21.5 of the Code of Iowa.

(E) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service, general government 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) 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.

(G) Receipts – Deposit slips do not contain enough detail to be able to trace an individual’s check.

Recommendation – The City should implement procedures to ensure all deposit slips are filled out completely.

(H) Employee Benefits Levy – The City levies property tax for insurance purposes. This 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 2014, the City incorrectly paid \$11,447 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.

(I) Financial Condition – The following Funds had deficit balances at June 30, 2014:

<u>Fund</u>	<u>Deficit Balance</u>
Debt Service	\$72,165
Employee Benefit Levy	13,291
Housing Rehab	18,683

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, 2013 through June 30, 2014**

(J) 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.

(K) Time Card Approval – Time cards did not include evidence of supervisory review.

Recommendation – All time cards should be reviewed and approved by supervisory personnel prior to processing payroll.

(L) Disbursement Approval – For all disbursements tested, there was insufficient documentation to determine the date of approval.

Recommendation – The City should ensure all expenditures are properly approved.