

CITY OF MONONA

**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 MONONA

OFFICIALS
(After January 2014)

Title	Name	Term Expires
Mayor	Barbara Collins	December 31, 2015
Council Member	Daniel Havlicek	December 31, 2015
Council Member	Jason Schubert	December 31, 2017
Council Member	John Elledge	December 31, 2017
Council Member	Randee Blietz	December 31, 2015
Council Member	Andrew Meyer	December 31, 2015
City Clerk	Dan Canton	Appointed
Deputy City Clerk	Linda Gullickson	Appointed

(Before January 2014)

Title	Name	Term Expires
Mayor	Fran Passmore	December 31, 2013
Council Member	Darci Colsch	December 31, 2013
Council Member	Daniel Havlicek	December 31, 2015
Council Member	Randee Blietz	December 31, 2015
Council Member	Andrew Meyer	December 31, 2015
Council Member	Patricia Martin	December 31, 2013
City Clerk	Dan Canton	Appointed
Deputy City Clerk	Linda Gullickson	Appointed

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

**To the Honorable Mayor and Members of the City Council
City of Monona
Monona, Iowa**

We have performed an agreed-upon procedures engagement of the City of Monona pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. These procedures were agreed to by the City of Monona. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Monona for the period July 1, 2013 through June 30, 2014. City of Monona's management is responsible for the City's accounting 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, we 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 we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and Chapter 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 (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 (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, 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. 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.
11. 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.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 noncompliance 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 Monona, 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 Monona, 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 Monona and other parties to whom the City of Monona 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 Monona 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.

Decorah, Iowa
November 6, 2014

Hacker, Nelson & Co., P.C.

CITY OF MONONA

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, preparing and distributing.
5. Utilities - billing, collecting, depositing and posting.
6. Financial reporting - preparing and reconciling.
7. 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 evidenced by the signature or initials of the reviewer and date of the review.

B. Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works, community and economic development, general government and debt service 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.

C. Electronic Check Retention - Chapter 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 their bank account.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

D. Payroll - During our testing of payroll, we found no supervisor approval indicated on four of the time cards selected to show approval of the hours worked.

Recommendation - The City should make sure that a supervisor signs off on all time cards prior to paying employees.

CITY OF MONONA

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

- E. Tax Increment Financing (TIF) - The amount reported as TIF debt outstanding on the City's Annual Urban Renewal Report was overstated by \$335,471. In addition, the ending cash balance restricted for LMI does not agree with the City's records.

Recommendation - The City should ensure the amounts reported on the Annual Urban Renewal Report agree with the City's records.

- F. Annual Financial Report - The beginning fund balances for the general and special revenue funds did not agree to the prior year ending balances reported in the June 30, 2013 Annual Financial Report. The City reported certain transfers in an incorrect fund which also cause certain ending fund balances to be incorrect although, in total, receipts, disbursements, transfers and cash basis fund balances were correct on the Annual Financial Report. The City also reported the Waste Water Treatment Plant revenue bond as a general obligation bond in Part V of the Annual Financial Report.

Recommendation - The City should report accurate amounts on the Annual Financial Report. The errors in the Annual Financial Report should be corrected and the report should be resubmitted.

- G. Bank Reconciliations - The cash and investment balances in the City's general ledger were reconciled to bank and investment account balances throughout the year. However, for the two months reviewed, bank and book balances did not properly reconcile. Variances of \$193.49 and \$25.00 were not resolved. In addition, the bank reconciliations are not independently reviewed.

Recommendation - The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- H. Financial Condition - At June 30, 2014, the City had a deficit balance of \$3,478 in the debt service fund.

Recommendation - The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

- I. Revenue Bond - The City incorrectly recorded bond servicing fees as interest expense in the general ledger, which also resulted in the servicing fees incorrectly being reported as interest expense in Part V of the City's Annual Financial Report.

Recommendation - The City should record bond servicing fees in a different general ledger account other than the account used to record interest expense, to correctly reflect the bond payment transactions in the general ledger and to report the correct interest expense paid in Part V of the City's Annual Financial Report.

CITY OF MONONA

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

J. Disbursements - Upon our review of selected City's disbursements, we noted two mileage reimbursements to a council member and an employee that seemed excessive based on the destination. We also noted one disbursement that did not have a supporting receipt for the reimbursement to a City employee. Although we believe these disbursements still meet the test of serving a public purpose as defined in an Attorney General's opinion dated April 25, 1979. According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The City should review all mileage reimbursements for reasonableness and all reimbursements to City employees and officials should be supported by proper documentation.

K. City Council Minutes - The City Council held closed session on October 1, 2013 after the adjournment of the regularly scheduled open meeting. The affirmative roll call vote of members and specific exemption under Chapter 21.5 of the Code of Iowa was not documented during the open meeting minutes as required.

Recommendation - The City should comply with Chapter 21.5 of the Code of Iowa.