

CITY OF SHEFFIELD

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

CITY OF SHEFFIELD

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City of Sheffield

Officials

Name	Title	Term Expires
(Before January 2014)		
James Saylor	Mayor	January 2014
Ken Berding	Council Member	January 2016
Sean Cameron	Council Member	January 2014
Rick Larson	Council Member	January 2014
Ron Simmons	Council Member	January 2016
Nick Wilson	Council Member	January 2016
Amanda Dannen	City Clerk	Indefinite
Brent Symens	City Attorney	Indefinite
(After January 2014)		
Nick Wilson	Mayor	January 2016
Ken Berding	Council Member	January 2016
Jim Hegarty	Council Member	January 2016
JC McCaslin	Council Member	January 2018
Mike McKee	Council Member	January 2018
Ron Simmons	Council Member	January 2016
Amanda Dannen*	City Clerk	Indefinite
Brent Symens	City Attorney	Indefinite

*Amanda Dannen resigned effective July 25, 2014. Valerie Borseth was appointed as Interim City Clerk, Katy Flint was later appointed City Clerk.



Gardiner Thomsen
Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed an agreed-upon procedures engagement of the City of Sheffield 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 Sheffield 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 and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report 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 receipts for accurate accounting and consistency with the recommended chart of accounts.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the 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 City of Sheffield, 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 Sheffield, 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 Sheffield and other parties to whom the City of Sheffield 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 Sheffield 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.

Gardiner Thomsen, P.C.

Charles City, Iowa

November 5, 2014

Detailed Recommendations

City of Sheffield

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 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 were not reconciled to bank and investment account balances throughout the year. 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 monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (C) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (D) City Council Minutes – Chapter 21.4 of the Code of Iowa requires proper notice be given before a City Council meeting. No documentation was available to support that proper notice had been given. Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting and specifies what should be included in the publication. No documentation was available to support that the minutes of the City Council proceedings were properly published.

City of Sheffield

Detailed Recommendations (Continued)

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

Recommendation – The City should comply with Chapter 21 and Chapter 372 of the Code of Iowa.

- (E) Monthly Clerk's Report – Financial information provided to the City Council monthly should include a City Clerk's report showing receipts, disbursements, transfers and balances for each fund as well as a comparison of actual disbursements to budgeted disbursements by program. The only financial information submitted monthly to the City Council is a report showing total receipts and disbursements for each fund.

Recommendation – The City should review and implement procedures to ensure adequate financial information is submitted monthly to the City Council.

- (F) Annual Financial Report – It was noted that the City's Annual Financial Report does not accurately reflect the City's financial information. The beginning and ending fund balances as well as receipts and disbursements do not reconcile to the City's trial balance. The amount of interest paid and transfers are not accurately reflected on the Annual Financial Report.

Recommendation – The City should establish procedures to ensure that the Annual Financial Report accurately reflects the City's financial statements.

- (G) Deficit Balance – Per the City's Annual Financial Report, the City's Debt Service Fund had a deficit balance of \$134,611 at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the Debt Service Fund to a sound financial position.

- (H) Supporting Documentation – It was noted that not all claims were supported by proper documentation. It was also noted that seventeen lifeguards were reimbursed for obtaining a certificate, but there was not support to show what certificate was obtained or the cost of the certificate.

Recommendation – All claims should be supported by proper documentation.

- (I) Salary Resolution – It was noted that salaries and hourly wages are not being approved by the City Council by Resolution. Documentation for approved salary or hourly wages was not available for multiple employees selected for testing.

Recommendation – The City Council should approve salaries or hourly wages for all City employees.

- (J) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the general government and debt service functions as well as for business-type activities. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under and 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.

NEWS RELEASE

FOR RELEASE

Gardiner Thomsen, P.C. today released an agreed upon procedures report on the City of Sheffield, 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.

Gardiner Thomsen, P.C. made recommendations including a recommendation that the City review its control procedures to obtain the maximum internal control possible.

A copy of the examination report is available for review in the City Clerk's Office, in the Office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.