

CITY OF ODEBOLT, IOWA
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

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City of Odebolt, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Butch Hemphill	Mayor	Dec 2017
Todd Bengford	Council Member	Dec 2015
Jim Scott	Council Member	Dec 2015
Ruth Ann Mohr	Council Member	Dec 2015
Lee Hemer	Council Member	Dec 2015
Michael Hoefling	Council Member	Dec 2017
Christina Hoefling	City Clerk	Indefinite
Dresselhuis & Heidenreich	Attorney	Indefinite

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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of Odebolt 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 Odebolt 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.

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 2014 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 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 Odebolt, 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 Odebolt, 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 Odebolt and other parties to whom the City of Odebolt 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 Odebolt 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.

Cornwell, Frideres, Maher & Associates, P.L.C.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 27, 2015

Detailed Recommendations

City of Odebolt, Iowa

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) Financial reporting – preparing and reconciling.
- (6) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, it was noted that the City has several procedures in place that helps mitigate this risk of lack of adequate segregation of duties. The procedures the city has in place includes council members initialing each claim, time sheets, bank reconciliation and monthly financial reports. A part time utility clerk assists with most data entry to further mitigate this risk.

(B) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires that the minutes of all City Council proceedings include publication of a summary of receipts and disbursements by fund. It was noted that one month this was inadvertently omitted from the publication even though the city clerk submitted the proper documentation.

Recommendation – City officials should review their procedures and insure that the published minutes include a summary of receipts and the vote of each council. Also, City officials should review the paper to make sure all minutes were published.

(C) Local Option Sales Tax – The City's local option sales tax ballot states that 20% of the proceeds should be expended for property tax relief and 80% for improvements or any other lawful purpose.

Recommendation – The current year 20% requirement was met. As of June 30, 2014, there is a balance of approximately \$36,000. The City should review this balance to see if it consists of the property tax relief portion of the ballot, to help ensure the balance on hand is spent in accordance with the ballot.

- (D) Employee meal reimbursement – It was noted that one of the employees was reimbursed for a meal while traveling within an hour of the City to pick up some parts.

Recommendation – City officials should review this expenditure meets the test of public purpose as stated in the policy that was just implemented by the council this past year.