

**CITY OF NODAWAY**

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

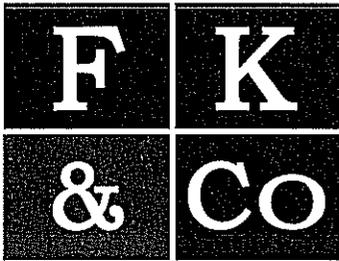
**FOR THE PERIOD  
JULY 1, 2013 THROUGH JUNE 30, 2014**

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**City of Nodaway**  
**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Pat Shipley	Mayor	Jan 2014
Hartford Cooper	Council Member	Jan 2014
Christine Dunn	Council Member	Jan 2014
Gary Poen	Council Member	Jan 2014
Rebecca Poen	Council Member	Jan 2014
Christine Wiechman	Council Member	Jan 2014
Lori Shires	City Clerk	Indefinite
<u>(After January 2014)</u>		
Pat Shipley	Mayor	Jan 2016
Hartford Cooper	Council Member	Jan 2016
Christine Dunn	Council Member	Jan 2016
Gary Poen	Council Member	Jan 2016
Rebecca Poen	Council Member	Jan 2016
Christine Wiechman	Council Member	Jan 2016
Lori Shires	City Clerk	Indefinite



# FALLER, KINCHELOE & CO, PLC

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## 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 Nodaway 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 Nodaway 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 (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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 Nodaway, 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 Nodaway, 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 Nodaway and other parties to whom the City of Nodaway 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 Nodaway 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.



Faller, Kincheloe & Co, PLC

September 22, 2014

## CITY OF NODAWAY

### 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, 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 balances throughout the year. For two months reviewed, the City was not keeping track of its book balances.

Recommendation - The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and that book balances are maintained. Variances, if any, should be reviewed and resolved timely.

- (C) Clerk’s Report – A monthly Clerk’s report, including a summary of receipts, disbursements, beginning balances and ending balances by fund, is not prepared.

Recommendation – The City Clerk should prepare a monthly Clerk’s report which includes a summary of receipts, disbursements, beginning balances and ending balances by fund. The City Council should review and approve of the Clerk’s report monthly.

CITY OF NODAWAY

DETAILED RECOMMENDATIONS

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

(D) City Council Minutes – The following were identified:

- All four City Council meetings tested were not signed as required by Chapter 380.7 of the Code of Iowa.
- Chapter 372.13(6) of the Code of Iowa requires the posting of the City Council minutes include the total disbursements from each city fund, a summary of all receipts and the reason for the claims. We noted that this requirement was not met by the City for all four meetings tested.

Recommendation – The City should comply with Chapters 380.7 and 372.13(6) of the Code of Iowa. In addition, the City should ensure all minutes are signed and that the posting of the City Council minutes include total disbursements from each city fund, a summary of all receipts and the reason for the claims, as required.

(E) Investment Policy – 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 that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

(F) Official Depositories – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

(G) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, the COA, or its equivalent, should be followed.

CITY OF NODAWAY

DETAILED RECOMMENDATIONS

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

- (H) Accounting Records – While the City has the bank statements for the gaming and food sale operations, the City does not maintain any accounting records for these activities.

Recommendation – The City implement procedures to ensure accounting records are maintained for all City operations.

- (I) Certified Budget – It appears the City has no procedures in place to compare actual disbursements to budget disbursements, by function and in total.

Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, public works, culture and recreation and the general government 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.”

There was no indication that a public hearing was held on the City’s budget, as required by Chapter 384.16(4) of the Code of Iowa.

The City’s budget was adopted by motion of the Council. Chapter 384.16(5) of the Code of Iowa states, in part, “... the Council shall adopt by resolution a budget...”

Recommendation – The City should implement procedures to ensure actual disbursements are compared to budget disbursements by function and in total during the year. The budget should have also been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

The City should document in the Council minutes the public hearing on the budget as required by the Code of Iowa. In addition, the budget should be adopted by resolution of the Council in accordance with the Code of Iowa requirements.

- (J) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” The City’s Annual Financial Report reported receipts, disbursements and fund balances which do not agree with the City’s records.

Recommendation – The City should ensure all amounts included in future Annual Financial Reports are supported by the amounts recorded in the City’s records.

CITY OF NODAWAY

DETAILED RECOMMENDATIONS

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

- (K) Business Transactions – Except as follows, no business transactions between the City and City officials or employees for the year ended June 30, 2014 were noted. During the year, a Council Member was paid \$2,400 for the fiscal year while serving as the City’s maintenance employee. In addition, this same Council Member was paid an additional \$1,628 for City maintenance duties.

In accordance with Chapter 372.13(8) of the Code of Iowa, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (L) Payroll – The City employee is not required to keep a timesheet, and the related hours worked by the employee are not approved by the Council.

No evidence could be located which documents that the City Council approved of the wage rate of the City employee. Some individuals paid by the City are paid as independent contractors, even though it would appear these individuals are employees based on the requirements of the Internal Revenue Service.

Recommendation – The City implement procedures to ensure all City employees keep timesheets of hours worked, and that the City Council approve of all hours worked prior to payment. In addition, the City Council should approve of all pay rates for City employees. Also, the City should ensure compliance with Internal Revenue Service requirements in relation to the payment of independent contractors.

CITY OF NODAWAY

DETAILED RECOMMENDATIONS

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

- (M) Miscellaneous – Chapter 372.13(6) of the Code of Iowa requires the City permanently designate by ordinance the three public places in which the City will post its official notices. We noted that the City is not posting its official notices in the three public places currently designated by the City's ordinance.

The City Council minutes do not document the date of the City Council meetings. On most City Council minutes, the City documents the month of the meeting, but the City Council minutes do not document the day of the meeting.

Recommendation – The City ensure compliance with Chapter 372.13(6) of the Code of Iowa in relation to the posting of the official notices. In addition, the City should document the date on all City Council meeting minutes.

- (N) 1099-Misc. Forms - Internal Revenue Service 1099-Misc. forms were not issued by the City as required.

Recommendation – The City issue Internal Revenue Service 1099-Misc. forms as required.

- (O) Employee Benefits Levy – The City levies property tax for employee benefits. The City levied \$1,000 for employee benefits. Benefits paid for employee benefits totaled \$398, indicating excess property tax is being levied for this purpose.

Recommendation – The property tax levy should be reduced to the estimated disbursements for employee benefit purposes.