

CITY OF DUMONT

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

**FOR THE PERIOD
AUGUST 1, 2013 THROUGH JULY 31, 2014**

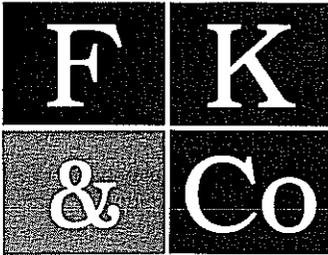
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City of Dumont

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Edwin Mouw	Mayor	Jan 2015
Reid Menken	Council Member	Jan 2015
Chris Showalter	Council Member	Jan 2015
Brenda Baldwin	Council Member	Jan 2015
Jan Reysack	Council Member	Jan 2017
David Shear	Council Member	Jan 2017
Rhonda Schmidt	City Clerk	Indefinite
Jody Angstman	Utility Clerk	Indefinite



FALLER, KINCHELOE & CO, PLC

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 Dumont 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 Dumont for the period August 1, 2013 through July 31, 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 2014 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 receipts for accurate accounting and consistency with the recommended COA.
11. 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.
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 Dumont, 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 Dumont, 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 Dumont and other parties to whom the City of Dumont 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 Dumont 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, PLLC

November 21, 2014

CITY OF DUMONT

DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 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 – 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) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – 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. The reviews should be documented by signing or initialing and dating the reconciliations.

- (C) Clerk's Report – A monthly Clerk's report, including a summary of revenues, disbursements and ending balances by fund, is not prepared. Also the Clerk's report does not show a budget vs actual comparison.

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

CITY OF DUMONT

DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

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

- Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for four meetings tested were not published within fifteen days.
- Chapter 372.13(6) of the Code of Iowa requires the minutes of all City Council proceedings to include total disbursements from each fund, a summary of all receipts and a list of approved claims. We noted that these requirements were not met by the City for some meetings tested.

Recommendation – The City should comply with the Code of Iowa and publish total disbursements from each fund, summary of all receipts and the list of approved 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) Local Option Sales and Services Tax – The City imposed a local option sales tax in the City with receipts to be allocated 75% for infrastructure, 10% for equipment, training and operations of the Fire Department, 5% for the Dumont Community Library, 5% for the Park and Recreation Department, and 5% for Emergency Services for flood or disaster relief. All of the local option sales tax receipts are recorded in a special revenue fund. Documentation was not maintained to demonstrate that the local option sales tax receipts were spent in accordance with the provisions of the referendum authorizing the collection of the tax.

Recommendation – The City should maintain documentation to demonstrate local option sales tax collections are disbursed in compliance with the provisions of the referendum.

CITY OF DUMONT

DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

- (H) Financial Condition – At July 31, 2014, the City had deficit balances of \$5,063 and \$28,413 in the Employee Benefits and Capital Projects Funds, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits to return the fund to a sound financial position.

- (I) 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.

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.

- (J) Payroll – Timesheets are not reviewed and approved by supervisory personnel prior to preparation of payroll.

Also the City did not prepare any IRS Forms 1099 for the year ended December 31, 2013. We noted that a Form 1099 should have been issued.

Recommendation – Procedures should be established to ensure timesheets are reviewed and approved by supervisory personnel prior to preparation of payroll. Supervisory review/approval should be evidenced by the supervisor's initials and the date approved. Also the City should file IRS Forms 1099 when applicable.

- (K) Sewer Revenue Notes – The provisions of the sewer revenue notes require sufficient monthly transfers be made to a separate sewer revenue note sinking account for the purpose of making the note principal and interest payments when due. The City has not made the required transfers to this account.

Recommendation – The City should establish a sewer revenue note sinking account and ensure monthly transfers are made to the water revenue note sinking account as required.

CITY OF DUMONT

DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

- (L) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The city did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years should be remitted to the Office of Treasurer of State annually, as required.

- (M) Debt Service – The general obligation sewer improvement note payment was recorded in the Sewer Fund rather than the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

Recommendation – General obligation note payments should be recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

- (N) Transfers – The City transfers money to and from various funds periodically. However, these transfers were not approved by the City Council prior to the actual transfer. Also the City didn't account for the transfers in accordance with the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – The City Council should approve all fund transfers prior to the actual transfer and document approval and amount(s) as part of the minutes record. The City should also follow the COA for all fund transfers, including transfers from the Emergency Fund to the General Fund.

- (O) Separately Maintained Records – The Ambulance Department maintains separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

CITY OF DUMONT

DETAILED RECOMMENDATIONS

For the period August 1, 2013 through July 31, 2014

- (P) 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 current public debt of the City...". The City's Annual Financial Report reported receipts, disbursements, transfers 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.

- (Q) Sewer Fund – For the year ended July 31, 2014, the City did not record any wages or employee benefits in the Sewer Fund.

Recommendation – The City should allocate a reasonable amount of wages and employee benefits to the Sewer Fund.

- (R) Insurance Property Tax Levy – The City levies a tax to pay for liability insurance coverage. The proceeds of this tax are used to pay all the cost associated with liability insurance coverage. However, the costs incurred by the Water, Sewer, and Garbage operations for liability insurance coverage should be charged to those funds instead of the tax levy for liability insurance coverage as required by Chapter 384.16(18) of the Code of Iowa.

Recommendation – Cost incurred for liability insurance coverage for the Water, Sewer, and Garbage operations should be charged to those funds as required by Chapter 384.16(18) of the Code of Iowa.