

**CITY OF GARBER, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

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Officials

Name	Title	Term Expires
(Before January, 2014)		
Elected Officials		
Nioka Schroeder	Mayor	January 2, 2014
Lyle Schroeder	Mayor Pro-Tem/Council Member	January 2, 2014
Hermies Schroeder	Council Member	January 2, 2014
Ray DeMuth	Council Member	January 2, 2014
Leroy Dugan	Council Member	January 2, 2014
John Dedic	Council Member	January 2, 2014
Appointed Officials		
Melissa Hampton	City Clerk	Indefinite
(After January, 2014)		
Elected Officials		
Nioka Schroeder	Mayor	January 2, 2016
Lyle Schroeder	Mayor Pro-Tem/Council Member	January 2, 2016
Hermies Schroeder	Council Member	January 2, 2016
Ray DeMuth	Council Member	January 2, 2016
Leroy Dugan	Council Member	January 2, 2016
Elizabeth Jaster	Council Member	January 2, 2016
Appointed Officials		
Melissa Hampton	City Clerk	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Garber, Iowa

We have performed an agreed-upon procedures engagement of the City of Garber 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 Garber 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 (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 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.

To the Honorable Mayor and
Members of the City Council
City of Garber, Iowa
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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 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 repayments were properly accounted for.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
11. 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.
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 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 Garber, 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 Garber, 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 Garber and other parties to whom the City of Garber may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Cedar Rapids, Iowa
August 21, 2014

Detailed Recommendations

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. We noted that incompatible duties are being performed by the same person.

Recommendation - We realize that 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.

- (B) **Payroll** - Timesheets did not include evidence of supervisory review. Additionally, no documentation of approved pay rates for City employees could be found.

Recommendation - All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Additionally, procedures should be established to ensure approved payroll rates are entered and reviewed by an independent person, with the approval being documented in personnel files.

- (C) **Questionable Disbursement** - During the year, the City paid \$40 to the Iowa Department of Inspection and Appeals for an annual game night license for a 4-H Foundation fundraiser. While the 4-H Foundation reimbursed the City for this expense, this disbursement may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefit to be derived has not been clearly documented.

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 Council should determine and document the public purpose served before authorizing any such payments in the future. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper public purpose documentation.

- (D) **Supporting Documentation** - Supporting documentation was not available to support 2 of 30 disbursements tested in the amounts of \$20.00 and \$20.40.

Recommendation - The City should maintain supporting documentation for all disbursements.

- (E) **Check Sequence** - Noted checks were not written in numerical order.

Recommendation - The City should write checks in order and implement controls to account for all checks.

- (F) **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check. The City does not receive an image of the back of each canceled check.

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

Detailed Recommendations

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

- (G) **Deposits and Investments** - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, 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 - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (H) **Certified Budget** - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety and culture and recreation 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.

- (I) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, no independent review of the bank reconciliations was performed.

Recommendation - An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (J) **Prenumbered Receipts** - Prenumbered receipts were not issued for all collections and an initial listing of collections was not prepared.

Recommendation - Prenumbered receipts should be issued for all collections and an initial listing of collections should be prepared. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

- (K) **Separately Maintained Records** - The Fire 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 purpose." 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.

- (L) **Payment of General Obligation Fire Truck Note** - Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund." During the year ended June 30, 2013, the City paid a portion of the general obligation fire truck note from the General Fund.

Recommendation - The City should transfer funds to the Debt Service Fund to pay the general obligation fire truck note in the future.

Detailed Recommendations

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

- (M) **Financial Condition** - At June 30, 2013, the City had a deficit balance of \$195 in the Debt Service Fund.

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

- (N) **Local Option Sales Tax** - Local option sales tax (LOST) receipts are recorded in the General Fund. The LOST ballot requires the receipts be used for specific purposes. During the year, LOST disbursements were not tracked in a manner which documented compliance with the LOST ballot referendum provisions and annual City Council resolutions.

Recommendation - The City should establish a Special Revenue, Local Option Sales Tax Fund to record the collection, disbursement and balance of all LOST funds to document compliance with the LOST ballot referendum provisions.

- (O) **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.

- (P) **Reconciliation of Garbage/Recycling Billings, Collections and Delinquent Accounts** - Garbage/recycling billings, collections and delinquent accounts were not reviewed by an independent person.

Recommendation - Procedures should be established to have an independent person or a Council member review the reconciliation and monitor delinquent accounts each month. The review of the reconciliation should be evidenced by the signature or initials of the reviewer and the date of the review.

- (Q) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be posted within 15 days of the meeting and a list of claims, a summary of receipts, total disbursements by fund and a summary of ordinances or amendments adopted are published as required. None of the minutes tested included the total disbursements from each fund.

Recommendation - The City should comply with Chapter 372.13(6) of the Code of Iowa. The City should ensure the minutes, list of claims, summary of receipts, total disbursements by fund and summary of ordinances or amendments adopted are published as required.