

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

TABLE OF CONTENTS

	<u>Page</u>
Officials	
Independent Accountant's Examination Report	1-2
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 3
Certified Budget	B 3

CITY OF CHARTER OAK

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wayne Neumann	Mayor	Jan 2018
Robert Hageman	Council Member	Jan 2018
Kai Keiner	Council Member	Jan 2018
Dwayne Bolton	Council Member	Jan 2016
Randy Weed	Council Member	Jan 2016
Pamela Tripp	Clerk/Treasurer	Indefinite
Rick Frank	Attorney	Indefinite

Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Charter Oak for the period July 1, 2013 through June 30, 2014. The City of Charter Oak's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

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 were 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 that 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 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.
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 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 Charter Oak, 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 Charter Oak, 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 Charter Oak and other parties to whom the City of Charter Oak 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 Charter Oak 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.

Hamilton Associates, P.C.

Council Bluffs, Iowa
March 26, 2015

Detailed Recommendations

CITY OF CHARTER OAK

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, recording, reconciling and posting.
- (3) Payroll – recordkeeping, preparation and distribution.
- (4) Utilities – billing, collecting, depositing and posting.

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.

City Response – We have implemented as many compensating controls as possible to help mitigate the above risk. These procedures include writing receipts for all cash received, and having the Mayor pick up the mail, take deposits to the bank, and open and sign the bank statements.

- (B) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the general government and debt service 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.

City Response – The City of Charter Oak did a major demolition project of Main Street buildings. The city had budgeted \$250,000 for the project in the 2012/2013 budget. The final bill should have been paid in June 2013 but it was received late in June and not approved for payment until July. Because of the accounting method used, a timing issue caused the disbursements to exceed the budget and the City should have amended the 2013/2014 budget to cover the additional expense.