

CITY OF HANSELL

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

CITY OF HANSELL

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City of Hansell
Officials

Name	Title	Term Expires
<u>(Before January 2014)</u>		
Doug Symens	Mayor	January 2014
Delores Cunningham	Council Member	January 2014
Joe Hanna	Council Member	January 2014
Jess Harlan	Council Member	January 2014
Jason Harper	Council Member	January 2014
Michael Norman	Council Member	January 2014
Deanna Genz	City Clerk	Indefinite
Tony Krukow	City Attorney	Indefinite
<u>(After January 2014)</u>		
Jason Harper	Mayor	January 2016
Delores Cunningham	Council Member	January 2016
Joe Hanna	Council Member	January 2016
Jess Harlan	Council Member	January 2016
Colten Harper	Council Member	January 2016
Michael Norman	Council Member	January 2016
Deanna Genz	City Clerk	Indefinite
Tony Krukow	City Attorney	Indefinite



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 Hansell 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 Hansell 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 2014 Annual Financial Report 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 and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
9. 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.

10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. 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 Hansell, 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 Hansell, 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 Hansell and other parties to whom the City of Hansell 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 Hansell 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.

Garline Thomsen, P.C.

Charles City, Iowa

August 26, 2014

Detailed Recommendations

City of Hansell

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, preparing and distributing.
- (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) Chart of Accounts – the City has not fully implemented the recommended Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation – To provide better financial information and control, the recommended chart of accounts, or its equivalent, should be followed.

(C) City Council Minutes – Chapter 21.4 of the Code of Iowa requires notice of the time, date and place of each meeting to be posted at least twenty four hours prior to the commencement of the meeting. The proper posting was not able to be verified for the meetings selected for testing. Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. For cities of two hundred population or less, posting in three public places in the city which have been permanently designated by ordinance is sufficient. The proper posting of the Council minutes was not able to be verified for the meetings selected for testing.

It was noted that two invoices were not properly authorized by the City Council. These two items were listed on the agenda, but were not included on the list of approved claims in the City Council minutes.

It was noted that the City Council does not receive a monthly comparison of budget and actual disbursements by program.

Recommendation – The City should comply with the Code of Iowa for proper posting of notices and City Council minutes. Posted City Council minutes should include total disbursements for each

City of Hansell

Detailed Recommendations

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

fund, a list of claims allowed (including reason), and a summary of all receipts and a summary of ordinances adopted. Proper documentation should be maintained to verify these postings.

The City Council should approve all claims in the City Council minutes.

The City Council should receive a monthly comparison of budget and actual disbursements by program.

- (D) Deposits and Investments – 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 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.

- (E) Annual Financial Report – The City’s annual financial report does not accurately reflect the City’s financial information from the monthly financial reports. The fund balance total reported on the annual financial report agrees to the bank reconciliation, however, individual fund balances and activity do not agree.

Recommendation – The City should establish procedures to ensure the City’s annual financial report accurately reflects the City’s transactions and financial position by fund.

- (F) Disbursement Documentation – It was noted that a reimbursement made to the City Clerk lacked proper supporting documentation.

Recommendation – All disbursements should be supported by proper documentation.

- (G) 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 for its bank account.

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.

- (H) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the general government function and business type activities. 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) Deficit Balances – The City’s annual financial report reflects a deficit balance in the City’s General Fund of \$23,573 at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the General Fund to a sound financial position.

City of Hansell

Detailed Recommendations

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

- (J) Payroll – There was no documentation that the City Council is approving employee salary and wages. There was no documentation to support approved wages for the period of the engagement.

Recommendation – The City Council should establish the wages of City employees and wages should be documented in the official minutes.

- (K) Authorized Signature on Checks – Several of the disbursements tested did not have dual signatures and were only signed by the City Clerk.

Recommendation -- The City Council should ensure dual signatures are used for disbursements.

NEWS RELEASE

FOR RELEASE

Gardiner Thomsen, P.C. today released an agreed upon procedures report on the City of Hansell, Iowa for the period July 1, 2013 through June 30, 2014. The examination was performed pursuant to Chapter 11.6 of the Code of Iowa.

Gardiner Thomsen, P.C. made recommendations including a recommendation that the City review its control procedures to obtain the maximum internal control possible.

A copy of the examination report is available for review in the City Clerk's Office, in the Office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.