

CITY OF PERSIA

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

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

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City of Persia
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Kosmacek	Mayor	January 2016
Jerome Jenkins	Council Member	January 2016
Sarah Clark	Council Member	January 2016
Kreg Ronfeldt	Council Member	January 2017
Chad Pitts	Council Member	January 2017
Shawn Flaharty	Council Member	January 2017
Jill Ronfeldt	City Clerk	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

November 3, 2014

Lonnie G. Muxfeldt

Certified Public
Accountant

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

To the Honorable Mayor
and Members of City Council:

I have performed an agreed-upon procedures engagement of the City of Persia pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa legislature to provide certain minimum oversight of Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Persia 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 I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I 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. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I 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. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I 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.

6. I 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.
7. I reviewed and tested selected receipts for accurate accounting and consistency with the COA.
8. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
9. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
10. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My 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.

I was not engaged to and did not conduct an audit of the operations of the City of Persia, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Persia, additional matters might have come to my 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 Persia and other parties to whom the City of Persia may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Persia during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, reading "Loren J. Gueffelt, CPA". The signature is written in a cursive style with a horizontal line through the middle of the name.

DETAILED RECOMMENDATIONS

CITY OF PERSIA

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) Financial reporting - preparing and reconciling.
- (6) Journal entries - preparing and journalizing.
- (7) Accounting System - performing all general accounting functions including journal entries and having custody of assets.
- (8) Computer system - performing all general accounting functions and controlling all data input and output.

Recommendation - I 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) City Council Minutes - Chapter 372.13 (6) of the Code of Iowa requires that the minutes of all City Council proceedings be published within fifteen days of the meeting and include a summary of total receipts received by each fund, a summary of total disbursements from each fund, a summary of ordinances or amendments adopted and annual individual gross salaries are published as required. Although the minutes were published within fifteen days, none of the minutes tested included total receipts or total disbursements summaries by fund, one meeting minutes did not include a summary of the ordinance passed and the annual gross salaries were not published as required by an Attorney general's opinion dated April 12, 1978.

CITY OF PERSIA

DETAILED RECOMMENDATIONS

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

- (B) City Council Minutes, (continued) - Also minutes for one tested meeting did not show sufficient information to indicate the vote of each member present.

Recommendation - The city should comply with the Code of Iowa and publish minutes that include a summary of receipts by fund, a summary of disbursements by fund and a summary of ordinances and amendments adopted. The city should also publish annual gross salaries in accordance with Attorney General's opinion dated April 12, 1978. The minutes of each meeting should show who was present at the meeting so there is a clear indication as to the vote by each member present.

- (C) Financial Condition - The Public Safety, Culture and recreation and Community and Economic Development funds had deficit balances at July 31, 2014.

Recommendation - The City should investigate alternatives to eliminate the deficit balances in order to return these funds to a sound financial condition.

- (D) Disbursement - It was noted during testing that one disbursement did not have the proper substantiation available and one disbursement had documentation but did not total the actual amount disbursed by \$20. Also, when multiple invoices are being paid by one disbursement, only the top invoice is being defaced and marked paid.

Recommendation - The City should maintain supporting documentation for disbursements. When multiple invoices are being paid with one disbursement, all invoices need to be defaced and marked as paid to avoid the possibility of double paying an invoice.

- (E) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires the 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 the cancelled check from their bank.

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

CITY OF PERSIA

DETAILED RECOMMENDATIONS

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

- (F) Payroll - The annual salaries of the City employees were not published in accordance with Iowa Attorney General's Opinion 78-4-7.

Recommendation - The City should comply with the Iowa Attorney General's Opinion 78-4-7 dated April 12, 1978 and publish annual gross salaries of the City employees.

- (G) Financial Reporting - The Clerk's financial reports to the City Council included cash balances and year to date receipts and disbursements, but did not include comparisons to the certified budget by function or a summary of balance, receipts, disbursements transfers and ending balance by fund. Also, investments held by the City were not included in the total balances by fund.

Recommendation - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the clerk's reports should also include the investments held by the city and be included in the appropriate fund balance.

- (H) Monthly Clerk's Report - The Monthly Clerk's Report presented to the City Council for approval does not contain beginning and ending fund balances for each fund.

Recommendation - The beginning and ending fund balances should be included in the monthly reports presented to the City Council for approval.

- (I) 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.

Recommendations - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should adopt and approve amounts sufficient to cover anticipated balances in all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

CITY OF PERSIA
PERSIA, IA 51563

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an agreed-upon procedures report on the City of Persia, Iowa for the period August 1, 2013 through July 31, 2014. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, cash receipts, disbursements, payroll, journal entries and financial reporting. Muxfeldt Associates, CPA, P.C. recommends the City comply with Chapter, 372.13 (6). Muxfeldt Associates, CPA, P.C. also recommends deficit fund balances be eliminated, unsupported disbursement documentation, electronic check retention, payroll related issues, deposit and investment policies need adopted, and additional information needed on monthly Clerk's reports to the Council.

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