

CITY OF BENTON

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

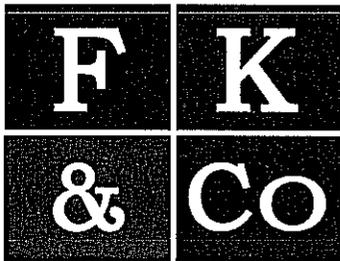
**FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

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City of Benton
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Robert Haley	Mayor	Jan 2014
Bobby Joe Haley	Council Member	Jan 2014
Joan Stringham	Council Member	Jan 2014
Richard Swank	Council Member	Jan 2014
Mary Swank	City Clerk	Indefinite
<u>(After January 2014)</u>		
Richard Swank	Mayor	Jan 2016
Bobby Joe Haley	Council Member	Jan 2016
Joan Stringham	Council Member	Jan 2016
Donald Stephens	Council Member	Jan 2016
Mary Swank	City 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 Benton 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 Benton 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 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 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.
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.

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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 COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 Benton, 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 Benton, 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 Benton and other parties to whom the City of Benton 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 Benton 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, PLC

September 15, 2014

CITY OF BENTON

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 distribution.
5. Financial reporting – preparing and reconciling.
6. 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) City Council Minutes – The minutes of City Council proceedings were not posted. In addition, the list of claims allowed, total disbursements from each City fund, and a summary of receipts were not posted. All the above is required by Chapter 372.13(6) of the Code of Iowa.

The City does not post an agenda for the City Council meetings, as required by Chapter 21.4 of the Code of Iowa.

Recommendation – The City should comply with Chapter 372.13(6) and Chapter 21.4 of the Code of Iowa. The City should ensure the minutes are posted in three public places. In addition, the City should ensure that the minutes posted include a list of all claims allowed, total disbursements from each City fund, and a summary of receipts as required. Also, the City should post an agenda for the City Council meetings, as required.

(C) Notices – No evidence could be found that the City's ordinances document three public places in the City which have been permanently designated by ordinance, as required by Chapter 362.3 and 372.13(6) of the Code of Iowa in relation to the posting of public notices.

CITY OF BENTON

DETAILED RECOMMENDATIONS

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

Recommendation- The City implement procedures to ensure the City documents three public places by ordinance, as required by Chapter 362.3 and 372.13(6) of the Code of Iowa.

- (D) 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.

- (E) 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.

- (F) 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.

- (G) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works function. 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.”

The City of Benton’s budget was adopted by motion of the City Council. Chapter 384.16(5) of the Code of Iowa states, in part, “... the Council shall adopt by resolution a budget...”

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. In addition, the budget should be adopted by resolution of the City Council in accordance with Code of Iowa requirements.

CITY OF BENTON

DETAILED RECOMMENDATIONS

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

- (H) Accounting Records - The City Council does not receive a monthly Clerk's report which shows receipts, disbursements, transfers and balances for each fund and in total. There was no evidence the cash and investment balances in the City's general ledger were reconciled to the bank and investment account balances throughout the year.

Recommendation – We recommend the City Clerk provide a monthly Clerk's report to the City Council every month. In addition, the City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

- (I) 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.

- (J) Disbursements – There was no indication that invoices were approved by the City Council.

Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for eleven disbursements tested could not be located.

Recommendation – All invoices should be approved by the City Council. All disbursements should also be supported by invoices or other supporting documentation.

- (K) Local Option Sales Tax - Based on the requirements of the local option sales tax ballot, it appears the City owes additional monies to Ringgold County for jail related costs.

Recommendation - The City implement procedures to ensure all monies due to Ringgold County are paid to Ringgold County.

CITY OF BENTON

DETAILED RECOMMENDATIONS

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

(L) Payroll – Social Security and Medicare payroll taxes are not paid for the Mayor, City Council members and the City Clerk.

The City Clerk could not locate City Council approval of the wage rate for the City Clerk.

No documentation could be located which establishes the Mayor and City Council salary by ordinance, as required by Chapter 372.13(8) of the Code of Iowa.

A 1099-Miscellaneous form was not filed with the Internal Revenue Service (IRS), as required.

Recommendation – Social Security and Medicare tax should be paid for the Mayor, City Council members and the City Clerk. All approved wage rates should be documented in the City Council minutes. Also, the Mayor and City Council salary should be established by ordinance as required by Chapter 372.13(8) of the Code of Iowa. In addition, 1099-Miscellaneous forms should be filed with the IRS, as required.

(M) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mary Swank, City Clerk Mother of Mike Swank	Mowing services	\$465

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.