

CITY OF TINGLEY

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

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

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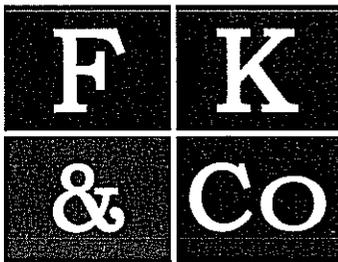
City of Tingley
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Nancy Jarred	Mayor	Jan 2016
Sharon Case	Council Member	Jan 2016
Robert Johnson	Council Member	Jan 2016
Jeremy Weeda	Council Member	Jan 2016
Larry Jarred	Council Member	Jan 2014
Anthony Mercer*	Council Member	Jan 2014
Karen Pettinger**	City Clerk	Indefinite
Anthony Mercer***	City Clerk	Indefinite
<u>(After January 2014)</u>		
Nancy Jarred	Mayor	Jan 2016
Sharon Case	Council Member	Jan 2016
Robert Johnson	Council Member	Jan 2016
Jeremy Weeda	Council Member	Jan 2016
Larry Jarred	Council Member	Jan 2018
Sue Richards	Council Member	Jan 2018
Anthony Mercer	City Clerk	Indefinite

* - Resigned in September, 2013.

** - Resigned in August, 2013.

*** - Appointed in September, 2013.



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 Tingley 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 Tingley 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 Tingley, 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 Tingley, 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 Tingley and other parties to whom the City of Tingley 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 Tingley 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 TINGLEY

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 – 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.

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 – Minutes for the City Council meetings were not signed as required by Chapter 380.7 of the Code of Iowa. Although minutes of City Council proceedings were posted, in some cases the City did not post a complete list of claims allowed, a summary of receipts or total disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapters 380.7 and 372.13(6) of the Code of Iowa. The City should ensure the minutes are signed and that the minutes posted include a complete list of all claims allowed, a summary of receipts and total disbursements by fund, as required.

(C) 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.

CITY OF TINGLEY

DETAILED RECOMMENDATIONS

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

- (D) 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.

- (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 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 accounts.

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.

- (F) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the community and economic development and general government 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.”

It appears the City has no procedures in place to compare actual disbursements to budget disbursements, by function and in total.

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 City should implement procedures to ensure actual disbursements are compared to budget disbursements by function and in total during the year.

- (G) 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. For one of two months reviewed, bank and book balances did not properly reconcile.

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.

CITY OF TINGLEY

DETAILED RECOMMENDATIONS

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

- (H) 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.

- (I) Annual Financial Report - The 2013 Annual Financial Report reported certain receipts in an incorrect fund.

Recommendation - The City implement procedures to ensure amounts reported on the Annual Financial Report are recorded in the correct fund.

- (J) Questionable Disbursement – During the year, a \$25 gift card was purchased from a local business and given to the City's employee. 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 benefits to be derived have not been clearly documented.

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements before authorizing further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement of proper documentation.

- (K) Surety Bond Coverage – Surety bond coverage for City officials and employees was not maintained for the year ended June 30, 2014 as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should comply with Chapter 64 of the Code of Iowa and periodically review its coverage for adequacy.

- (L) Sales Tax – The City paid sales tax on an invoice. Iowa governments are not required to pay sales tax on purchases.

Recommendation – The City implement procedures to ensure sales tax is not paid on future purchases.

CITY OF TINGLEY

DETAILED RECOMMENDATIONS

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

(M)City Council Disbursement Approval – The City Council approves disbursements at each monthly meeting after the invoices have been paid.

Recommendation - The City could adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

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

Name, Title, and Business Connection	Transaction Description	Amount
Larry Jarred, City Council Owner of Jarred Construction	Construction services	\$1,330

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.