

CITY OF TRIPOLI

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

For the period
July 1, 2014 through June 30, 2015

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City of Tripoli

Officials

June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Norbert (Jay) Raynard	Mayor	Jan 2016
Dan Woods	Mayor Pro-Tem	Jan 2016
Kevin Sievers	Council Member	Jan 2018
Rollie Ott	Council Member	Jan 2016
Randy Kirchhoff	Council Member	Jan 2016
Fred Homeister	Council Member	Jan 2018
DeAnn Lahmann	City Clerk/Treasurer	Indefinite
Pat Dillon	Attorney	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
And Members of the City Council:

I 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, I have applied certain tests and procedures to selected accounting records and related information of the City of Tripoli for the period July 1, 2014 through June 30, 2015. The City of Tripoli's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

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 sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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 surety 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 recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. 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.

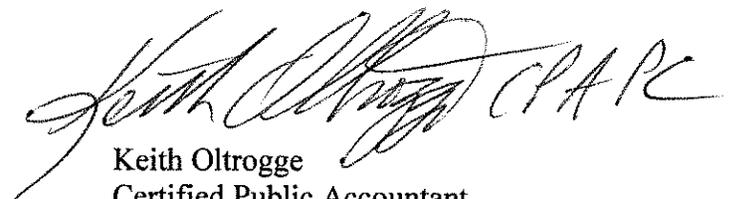
9. I reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. I reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. I 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.
14. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 City of Tripoli, the objective of which is the expression of opinions on the City's 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 Tripoli, 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 Tripoli and other parties to whom the City of Tripoli 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 Tripoli 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.


Keith Oltrogge
Certified Public Accountant

Detailed Recommendations

City of Tripoli

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

(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) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Cash - handling, reconciling and recording.
- (3) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) Debt – recordkeeping, compliance and debt payment processing.
- (7) Journal entries – preparing and journalizing.
- (8) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (9) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (10) Computer system – performing all general accounting functions and controlling all data input and output.
- (11) Financial Reporting – preparing and reconciling.

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 review.

(B) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting and a list of claims, a summary of receipts, total disbursements by fund, a summary of ordinances or amendments adopted and annual individual gross salaries are published as required. All City Council meeting minutes tested were properly published within fifteen days of the meeting. However, none of the minutes tested included a summary of receipts. I also noted for 1 of 4 minutes tested there was not a list of claims.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa. The City should ensure the minutes, list of claims, a summary of receipts, total disbursements by fund, a summary of ordinances or amendments adopted and annual individual gross salaries are published as required.

City of Tripoli

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

(C) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the business-type 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.”

Recommendation – The budget should be amended before disbursements are allowed to exceed it.

(D) Receipts – Deposit slips do not contain enough detail to be able to trace an individual’s check.

Recommendation – The City should implement procedures to ensure all deposit slips are filled out completely.

(E) Employee Benefit Levy – The City levies property tax for insurance purposes. This property tax levy can only be used to pay for benefits of employee salaries paid from the General Fund and Road Use Tax Fund. During fiscal year 2015, the City incorrectly paid for benefits of employee salaries paid from the enterprise funds.

Recommendation – The City should implement procedures to ensure compliance with payments from the employee benefits levy in accordance with the City Finance Committee Rules. In addition, all costs incurred by the enterprise funds should be repaid by those funds.

(F) Financial Condition – The following funds had deficit balances at June 30, 2015:

Fund	Deficit Balance
TIF	\$ 5,434
Employee Benefit Levy	14,516
Housing Rehab	2,705
Water	62,490

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

(G) Payroll – I noted the following during my testing of the payroll:

1. For 1 of 5 employees tested, the number of hours paid did not match the number of hours on the timecard.
2. Timecards did not include evidence of supervisory review.

Recommendation – All timecards should be reviewed and approved by supervisory personnel prior to processing payroll.

City of Tripoli

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

(H) Disbursements– I noted the following during my testing of disbursements:

1. For 50 of 51 disbursements tested, there was insufficient documentation to determine the date of approval.
2. For 2 of 51 disbursements tested, the City paid sales tax.
3. For 1 of 51 disbursements tested, a hotel bill was paid from the confirmation instead of an invoice.
4. For 4 of 51 disbursements tested, there was no invoice or support for the payment.

Recommendation – The City should implement procedures to ensure all disbursements are approved and supported by an invoice or other documentation at the time of payment.

(I) Questionable Disbursements – Certain disbursements I believe 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 were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Marlene Snelling	Community club meal	\$ 27
Marlene Snelling	Community club meal	32
Roger Ahrends	Going away gift	200
Maple Hills Country Club	Alcohol	153

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

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

(J) Tax Increment Financing Fund Disbursements – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable LMI assistance.

During the year ended June 30, 2015, the City paid claims from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts.

Recommendation – The City should reimburse the TIF Fund from an allowable fund, such as the General Fund, for these costs. If disbursements are for a qualified TIF project, the City may approve an advance (inter-fund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

City of Tripoli

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

(K) Annual Financial Report – The 2015 Annual Financial Report (AFR) did not accurately report the City's debt.

Recommendation – The City should implement procedures to ensure the AFR is accurate and complete.

(L) Financial Reporting – Road Use Tax of \$136,529 was incorrectly coded as other state grants and reimbursements rather than as state shared revenues.

Recommendation – The City should implement procedures to ensure receipts are properly coded.