

CITY OF FAIRBANK

**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 Fairbank

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Cowell	Mayor	January 2018
Ronald Woods	Mayor Pro-Tem	January 2016
Tammy Erickson	Council Member	January 2016
Dean Mangrich	Council Member	January 2018
Justin Sullivan*	Council Member	January 2018
Ted Vorwald	Council Member	January 2018
Tina Robinson**	Council Member	January 2018
Marlene Strempe	City Clerk/Treasurer	Indefinite
Carter Stevens/Heather Prendergast	Attorney	Indefinite

*Resigned 8/11/14

**Appointed 9/8/14

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 Fairbank for the period July 1, 2014 through June 30, 2015. The City of Fairbank'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 receipts for accurate accounting and consistency with the recommended COA.
- 11 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.
- 12 I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
- 13 I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
- 14 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 Fairbank, 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 Fairbank, 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 Fairbank and other parties to whom the City of Fairbank 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 Fairbank 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 CPA PC

Denver, Iowa
December 11, 2015

Detailed Recommendations

City of Fairbank

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. 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 – 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 documented by the signature or initials of the reviewer and the date of review.

B. Payroll – I noted the following during my review and testing of the City's payroll:

1. 2 of 5 employees tested were not paid at the salary resolution amount.
2. Time cards were not approved.

Recommendation – Time cards should be reviewed and approved before the payroll is done. An independent person should review the salary amounts in the computer software each time the amounts are changed.

C. Pre-numbered Receipts – Pre-numbered receipts were not issued for all collections.

Recommendation – Pre-numbered receipts should be issued for all collections.

D. Disbursements – I noted the following during my review and testing of the City's disbursements:

1. 1 of 54 tested included sales tax.
2. 1 of 54 tested was paid from a statement without all of the receipts being attached.
3. 1 of 54 tested was a reimbursement paid from a note without a receipt.
4. 2 of 54 tested needed to be reclassified.
5. 1 of 30 tested had different amounts for the check and Council bill listing.

Recommendation – The City should review their procedures to ensure all bills are supported, approved and paid from an invoice. The City should adopt procedures to use when an invoice may not be available, such as requiring additional approval or supporting documentation other than the invoice.

E. City Council Meeting Minutes – I noted the following during my review and testing of the City Council meeting minutes:

1. Closed sessions – I noted in two Council meeting minutes there was not a roll call vote to go into or come out of closed session. The minutes did not document that an individual had requested a closed session.

Recommendation – The vote of each Council member on the question of holding the closed session and the reason for holding a closed session must be referenced by the specific exemption under Chapter 21.5(l) and announced publicly at the open session as well as entered into the minutes. A governmental body shall not discuss any business during the closed session which does not directly relate to the specific reason given as justification for the closed session.

2. Public Hearing – I noted the Council took action during the public hearing.

Recommendation – The Council needs to close the public hearing and go back into regular session before taking action on the item at hand.

F. Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works and debt service 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.”

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.

G. Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ron Woods, Council Member, owner of Woods Construction	Repairs	\$1,215

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

H. Annual Urban Renewal Report – The City’s ending cash balance of the Special Revenue, Urban Renewal Tax Increment Financing Fund reported on the Levy Authority Summary did not agree with the City’s general ledger.

Recommendation – The City should ensure the cash balance reported on the Levy Authority Summary agree with the City’s records.