

CITY OF MONONA

**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 MONONA

OFFICIALS

Title	Name	Term Expires
Mayor	Barbara Collins	December 31, 2015
Council Member	Daniel Havlicek	December 31, 2015
Council Member	Jason Schubert	December 31, 2017
Council Member	John Elledge	December 31, 2017
Council Member	Randee Blietz	December 31, 2015
Council Member	Andrew Meyer	December 31, 2015
City Clerk	Dan Canton	Appointed
Deputy City Clerk	Linda Gullickson	Appointed

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

**To the Honorable Mayor and Members of the City Council
City of Monona
Monona, Iowa**

We 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, we have applied certain tests and procedures to selected accounting records and related information of the City of Monona for the period July 1, 2014 through June 30, 2015. The City of Monona's management, which agreed to the performance of the procedures performed, is responsible for the City's accounting 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, we 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 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 security 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 (CFC) 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 2015 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.
9. We 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. We 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. We 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. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed transfers between funds for propriety, proper authorization, and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to, and did not conduct an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Monona, 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 Monona and other parties to whom the City of Monona 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 Monona 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.

CITY OF MONONA

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 - 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 and journal entries should be evidenced by the signature or initials of the reviewer and date of the review.

B. Certified Budget - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, 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."

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.

C. 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 their 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.

CITY OF MONONA

DETAILED RECOMMENDATIONS
For the Period July 1, 2014 through June 30, 2015

- D. Transfers - Total transfers for the fiscal year ended June 30, 2015, exceeded the sum of the amount budgeted and additional approved transfers. It was also noted the City incorrectly recorded one transfer as miscellaneous revenue in the general ledger, although it was correctly reported as a transfer in on the City's Annual Financial Report.

Recommendation - The City should approve all additional transfers needed beyond those that are budgeted. The City should record all transfers in the correct general ledger accounts to insure accurate reporting of revenues and expenditures.

- E. Bank Reconciliations - The cash and investment balances in the City's general ledger were reconciled to bank and investment account balances throughout the year. However, for the two months reviewed, bank and book balances did not properly reconcile. Variances of \$261.25 and \$25.87 were not resolved. In addition, the bank reconciliations are not independently reviewed.

Recommendation - The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- F. Reconciliation of Utility Billings, Collections, and Delinquent Accounts - It was noted during our testing of delinquent accounts that two City Council members were listed on the delinquent utility account list for the month reviewed. In addition, during this month, it was noted that two City Council members did not make timely utility payments.

Recommendation - The City Council or other independent person designated by the City Council should review and monitor delinquent accounts.

- G. Reconciliation of Deposits to Receipts - It was noted during our testing of receipts, for the month reviewed, the deposits per the bank statement did not reconcile to the City's general ledger receipts for the month. A variance of \$251.81 was not resolved.

Recommendation - The City Council should establish procedures to ensure deposits made reconcile to the general ledger monthly and any variances are reviewed and resolved timely.