

**CITY OF WOODWARD, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015**

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Officials

Name	Title	Term Expires
Elected Officials		
Brian Devick	Mayor	December 31, 2015
Paul Thompson	Council Member	December 31, 2017
David Luke	Council Member	December 31, 2015
Craig DeHoet	Council Member	December 31, 2017
Richard Hartwig	Council Member	December 31, 2017
Jesse Purvis	Council Member	December 31, 2015
Appointed Officials		
Christina Perkins	City Clerk, Chief Financial Officer	Appointed every two years

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Woodward, 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 Woodward for the period July 1, 2014 through June 30, 2015. The City of Woodward'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, 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 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 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. 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.
8. We reviewed debt, including general obligation and revenue bonds, 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.
9. 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.
10. 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.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. We reviewed voter-approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
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.

These agreed-upon procedures did not constitute an audit of the 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 Woodward, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor and
Members of the City Council
City of Woodward, Iowa
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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 Woodward and other parties to whom the City of Woodward may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Algona, Iowa
November 17, 2015

Detailed Recommendations

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:

- Accounting system - performing all general accounting functions, including journal entries, and having custody of assets.
- Cash - handling, reconciling and recording.
- Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- Journal entries - preparing and journalizing.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.
- Computer system - performing all general accounting functions and controlling all data input and output.
- Financial reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with the 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 the date of the review.

(B) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, there was no evidence of independent review of the bank reconciliations, and the March, 2015 reconciliation did not reconcile to printed reports.

Recommendation - All adjustments made to reconcile accounts should be recorded on bank reconciliations to show that the accounts are reconciled. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

Detailed Recommendations

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

- (C) **Certified Budget** - Disbursements at year end exceeded the amount budgeted in the Debt Service function. Disbursement in the Health and Social Services, Community and Economic Development and Capital Projects functions exceeded the amount budgeted before being amended but were within the amount budgeted at year end. 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 in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

- (D) **Official Depositories** - A resolution naming official depositories did not set a high enough maximum balance to cover the balance held in the accounts 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) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires that the publication of City Council minutes include total disbursements by fund and a summary of ordinances or amendments adopted. Minutes of the four meetings tested did not include total disbursements by fund and two sets of minutes did not include a summary of adopted ordinances or amendments.

Recommendation - The City should comply with the Code of Iowa and ensure that the minutes contain total disbursements by fund and a summary of ordinances and amendments adopted.

- (F) **Disbursements** - One disbursement was approved in the minutes for \$11 but the check was written for \$115.

Recommendation - Amounts approved in the minutes should agree with the check amount.

- (G) **Journal Entries** - While City personnel represented that journal entries were reviewed and approved by an independent individual, no written documentation was made of the review and approval.

Recommendation - Review and approval of journal entries should be documented by signing or initialing and dating journal entries.

- (H) **Payroll** - Overtime for city employees is being calculated on an over 8 hours daily basis instead of an over 40 hours weekly basis. Compensation time, holiday, vacation and sick time is being used in the overtime calculations.

Recommendation - Overtime should be calculated for city employees as time worked over 40 hours per week and should not include paid time off, such as compensation time, holiday, vacation and sick time, in this calculation.