

CITY OF ALDEN, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
AUGUST 1, 2014 THROUGH JULY 31, 2015

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Officials

Name	Title	Term Expires
Officials		
Jeff Fiscus	Mayor	December, 2015
Steve Hunt	Council Member	December, 2015
Gene Jondall	Council Member	December, 2015
Mike Oliver	Council Member	December, 2015
Bob Hoversten	Council Member	December, 2017
Janaan Harding	Council Member	December, 2017
Lorrie Watts	City Clerk/Treasurer	Indefinite

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

To the Honorable Mayor and
Members of the City Council
City of Alden, 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 Alden for the period August 1, 2014 through July 31, 2015. The City of Alden'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 2015 Annual Financial Report 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 receipts for accurate accounting and consistency with the recommended COA.
11. 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.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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 Alden, 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 Alden and other parties to whom the City of Alden 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

Waterloo, Iowa
November 18, 2015

Detailed Recommendations

Detailed Recommendations

For the Period August 1, 2014 through July 31, 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 and having custody of assets.
- Cash - handling, reconciling and recording.
- Receipts - opening mail, collecting, depositing, reconciling and posting.
- Debt - recordkeeping, compliance and debt payment processing.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 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 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** - Chapter 372.13(6) of the Code of Iowa requires the publication of City Council minutes to include a list of claims allowed, including the reason for the claims. In the four meetings tested, none of the minutes included the reason for the claims. In addition, claims were reported each month by vendor in total, not by each check to the vendor.

Recommendation - The City should comply with Chapter 372.13(6) of the Code of Iowa and publish City Council minutes which include a list of individual claims allowed and the reason for the claims.

(C) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, the check listing by fund does not agree to the general ledger account. Therefore, the bank reconciliations reported incorrect balances. Also, per discussion with the City Clerk, a council member reviews the bank reconciliations but there was no indication that bank reconciliations were independently reviewed.

Recommendation - The City should establish procedures to ensure that bank reconciliations agree to all general ledger accounts. Also, 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 August 1, 2014 through July 31, 2015

- (D) **Management Financial Information** - The Clerk's financial reports to the City Council did not include comparisons of actual disbursements to the certified budget by function.

Recommendation - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons of actual disbursements to the certified budget by function.

- (E) **Annual Financial Report** - Upon review of the City's Annual Financial Report, we discovered total revenue and expenditures per the Annual Financial Report did not agree with total revenue and expenditures by fund per the City's records.

Recommendation - The City should ensure that future Annual Financial Reports agree with the City's records.

- (F) **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check. The City does not receive an image of the back of each canceled check for their bank statements.

Recommendation - The City should obtain and retain images of both the front and back of canceled checks for all canceled checks as required by Chapter 554D.114 of the Code of Iowa.

- (G) **Accounting Policies and Procedures Manual** - The City does not have an accounting policies and procedures manual.

Recommendation - An accounting policies and procedures manual should be developed to provide the following benefits:

- Aid in training additional or replacement staff.
- Help achieve uniformity in accounting and in the application of policies and procedures.
- Save supervisory time by recording decisions so they will not have to be made each time the same, or similar, situation arises.

- (H) **Local Option Sales Tax (LOST)** - The City did not have a copy of the most recent LOST ballot or revenue purpose statement.

Recommendation - The City should retain a copy of the LOST ballot and revenue purpose statement.

- (I) **Transfers and Journal Entries** - Transfers were not reviewed or approved by the City Council. Per discussion with the City Clerk, journal entries were reviewed by an independent person; however, there was no documentation to evidence the review and approval.

Recommendation - All transfers should be evidenced by approval in the minutes or budget, as applicable. Journal entries should be approved by an independent person and evidence of the approval should be documented.

Detailed Recommendations

For the Period August 1, 2014 through July 31, 2015

- (J) **Certified Budget** - Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the Culture and Recreation 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 in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

- (K) **Payroll** - City employees were all paid an hourly wage. However, there was no supporting documentation to indicate that the City Council approved the hourly wages. Raises were documented as a percentage increase in the minutes.

Recommendation - The City Council should approve employee wages and document approval and wage amounts as part of the minutes and in each employee's personnel file.

- (L) **Financial Condition** - The Street Department Fund had a deficit balance as of June 30, 2015.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

- (M) **Separately Maintained Records** - The Library maintains separate accounting records for certain operations. These transactions and resulting balances are not properly included in the City's accounting records.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

- (N) **Utilities** - The City does not prepare a monthly reconciliation of billings and collections for utilities.

Recommendation - The City should prepare a reconciliation of utility billings and collections on a monthly basis. In addition, an independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (O) **Disbursements** - Supporting documentation was not available for 2 of 30 disbursements tested in the amounts of \$270.00 and \$187.03.

Recommendation - The City should maintain supporting documentation for all disbursements.