



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ June 28, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Tiffin, Iowa for the period July 1, 2014 through June 30, 2015. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible. The City should also ensure bank and investment balances are reconciled to the general ledger monthly and should comply with the budget amendment requirements of Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

A copy of the agreed-upon procedures report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1521-0490-BLOF>.

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CITY OF TIFFIN

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

**FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015**

Table of Contents

		<u>Page</u>
Officials		3
Independent Accountant’s Report on Applying Agreed-Upon Procedures		5-6
Detailed Recommendations:	<u>Finding</u>	
Segregation of Duties	A	8
Bank Reconciliations	B	8
Reconciliation of Utility Billings, Collections and Delinquent Accounts	C	8
Accounting Policies and Procedures Manual	D	9
Petty Cash	E	9
Payroll	F	9
Journal Entries	G	9
City Council Meeting Minutes	H	9
Certified Budget	I	10
Annual Urban Renewal Report	J	10
Tax Increment Financing	K	10
Separately Maintained Records	L	10
Revenue Bonds	M	11
Annual Financial Report	N	11
Deficit Fund Balances	O	11
Public Library Support Levy	P	11
Staff		12

City of Tiffin

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven Berner	Mayor	Jan 2018
Michael C. Ryan	Mayor Pro-Tem	Jan 2016
Peggy Knowling Upton	Council Member	Jan 2016
James R. Bartels	Council Member	Jan 2018
Joan F. Kahler	Council Member	Jan 2018
Mark Petersen	Council Member	Jan 2018
Doug Boldt	City Clerk/Administrator	Indefinite
Robert Michael	Attorney	Indefinite

City of Tiffin



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council:

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 Tiffin for the period July 1, 2014 through June 30, 2015. The City of Tiffin'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 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 voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
14. 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.
15. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
16. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
17. 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 non-compliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures do not constitute 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 Tiffin, 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 Tiffin and other parties to whom the City of Tiffin 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 Tiffin during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 1, 2015

Detailed Recommendations

City of Tiffin

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) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (5) Journal entries – preparing and journalizing.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.

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

(B) Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment balances throughout the year. The City’s general ledger balance and bank balance were \$1,975,484 and \$2,337,324, respectively, at June 30, 2015, a variance of \$361,840. We were unable to determine the reason for the variance. However, certain fiscal year 2015 electronic transactions, such as water and sewer revenue bond principal and interest payments totaling \$52,594, bank loan payments totaling \$2,387 and a road use tax receipt for \$21,846, were not recorded in the City’s general ledger. Also, the outstanding transaction register includes items that have cleared the bank and are no longer outstanding.

Recommendation – The City should establish procedures to ensure bank and investment balances are reconciled to the general ledger monthly and variances are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations. The City should also establish procedures to ensure all transactions are properly recorded in the general ledger. Cleared transactions should be removed from the outstanding transaction register timely.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – The monthly reconciliations of utility billings, collections and delinquent accounts were not reviewed by an independent person.

Recommendation – Procedures should be established to have an independent person or a City Council member review the reconciliations and monitor delinquent accounts each month. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

City of Tiffin

Detailed Recommendations

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

- (D) 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:

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

- (E) Petty Cash – Petty cash on hand at City Hall was not maintained on an imprest basis and was not maintained at an authorized amount. Surprise cash counts are not performed by an independent person.

Recommendation – The petty cash fund should be maintained on an imprest basis to provide additional control over the petty cash fund. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits. Also, the City Council should approve an authorized amount to be maintained in the petty cash fund. Surprise cash counts should be conducted by an independent person to ensure the accuracy of the petty cash fund balance.

- (F) Payroll – Timesheets for one of five employees tested did not include evidence of supervisory review. Additionally, wage increases were approved based upon a percentage and the actual approved wages were not documented in the City Council meeting minutes.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Salaries and wages of employees should be documented by including the approved salaries and wages in the City Council meeting minutes.

- (G) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

- (H) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published, including total disbursements from each fund and a summary of receipts. Minutes publications for four of four meetings tested did not include total disbursements from each fund or a summary of receipts.

Recommendation – The City should comply with the Code of Iowa and ensure published minutes include total disbursements by fund and a summary of receipts, as required.

City of Tiffin

Detailed Recommendations

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

- (I) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, culture and recreation, general government, capital projects and business type activities functions prior to the budget amendment. Disbursements at year end exceeded the amended amounts budgeted in public works and culture and recreation functions.

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.

- (J) Annual Urban Renewal Report – The beginning and ending cash balances, receipts and disbursements reported in the 2014 Levy Authority Summary do not agree with the City's records.

Recommendation – The City should ensure the amounts reported in the Levy Authority Summary agree with the City's records.

- (K) Tax Increment Financing – During fiscal year 2013, the City issued general obligation corporate purpose bonds and deposited the proceeds into the Capital Projects Fund to pay costs associated with urban renewal projects in the TIF district. During fiscal year 2014, the City disbursed \$2,520,315 from the Special Revenue, Tax Increment Financing (TIF) Fund for projects in the TIF district and subsequently transferred \$3.4 million of unspent bond proceeds from the Capital Projects Fund to the TIF Fund to cover the project costs. In accordance with Chapters 403.19(10)(b) and 403.22 of the Code of Iowa, the TIF Fund may only be used for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable low-to-moderate income assistance, not for project costs. In addition, the \$3.4 million transferred from the Capital Projects Fund to the TIF Fund was based on a budgeted amount, not actual costs, and resulted in an excess TIF Fund balance at June 30, 2014. As of June 30, 2015 a corrective transfer had not been made.

Recommendation – The City should determine the amount of the unspent bond proceeds remaining in the TIF Fund and make a corrective transfer to the Capital Projects Fund. Future urban renewal project costs should be paid directly from available resources in the Capital Projects Fund rather than the TIF Fund.

- (L) Separately Maintained Records – The City has an annual festival referred to as Tiffifest. The Tiffifest Committee has a separate board and maintains a bank account separate from the City Clerk'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 annual budget and should reported to the City Council on a monthly basis.

City of Tiffin

Detailed Recommendations

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

- (M) Revenue Bonds – The City does not pay for sewer and water usage as required by the revenue bond resolutions.

Recommendation – The City should establish procedures to ensure all City departments are charged for water and sewer usage, as required.

- (N) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report include a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...” The City’s 2014 Annual Financial Report reported receipts, disbursements and fund balances which do not agree with the City’s records.

Recommendation – The City should establish procedures to ensure the Annual Financial Report is accurate and agrees with the City’s records.

- (O) Deficit Fund Balances – The General Fund, the Debt Service Fund, the Special Revenue, Road Use Tax Fund and the Enterprise, Sewer Fund had deficit balances of \$470,573, \$477,265, \$30,708 and \$474,454, respectively, at June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

- (P) Public Library Support Levy – Chapter 384.12(2) of the Code of Iowa provides for a maximum levy of \$0.27 per \$1,000 of taxable valuation for support of a public library. In November 2001, the voters approved a public library support levy of \$0.10 per \$1,000 of taxable valuation. However, during fiscal year 2015, the City levied \$0.27 per \$1,000 of taxable valuation, \$0.17 per \$1,000 of taxable valuation in excess of the approved levy. We were unable to determine if the levy for prior years exceeded the approved levy.

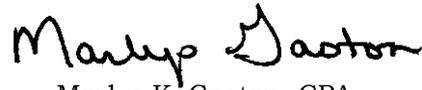
Recommendation – The City should determine whether the public library support levy for years prior to fiscal year 2015 was within the voter approved amount and should consult legal counsel to determine the disposition of the incorrect levy for fiscal year 2015 and prior years, if applicable.

City of Tiffin

Staff

This agreed-upon procedures engagement was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Jesse J. Harthan, Staff Auditor
Robert E. Fisher, Assistant Auditor
Alex M. Kawamura, Assistant Auditor



Marlys K. Gaston, CPA
Director