

**CITY OF LARCHWOOD  
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 Larchwood**

**Officials**

**(Before January 2015)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Snyders	Mayor	Jan 2018
Ken Kerkvliet	Council Member	Jan 2018
Mike Metzger	Council Member	Jan 2018
Ted Underberg	Council Member	Jan 2016
Brian Meffert	Council Member	Jan 2016
Sharon Meffert	Council Member	Jan 2016
Sandi DeSmet	Clerk/Treasurer	Indefinite
Lachlan Murphy Bonander	Attorney	Indefinite

# GRANT AND WILLIAMS, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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## **Independent Accountant's Report on Agreed-Upon Procedures**

To the Honorable Mayor and  
Members of 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 Larchwood for the period July 1, 2014 through June 30, 2015. The City of Larchwood'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<sup>3</sup>,

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 (AFR) 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/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.

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 COA.
12. 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.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 opinions on financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Larchwood, 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 Larchwood and other parties to whom the City of Larchwood 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 Larchwood 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.

Grant and Williams Inc.

Grant and Williams Inc.  
Certified Public Accountants  
Sioux Falls, SD  
January 20, 2016

## **Detailed Recommendations**

City of Larchwood  
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, preparation and distribution.
- (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 should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) City Council Meetings Minutes – The Council meeting minutes for July and November 2014 did not include the total amount of disbursements or the total amount of receipts by fund as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The Council meeting minutes published should include the total amount of disbursements and the total amount of receipts by fund as required by Chapter 372.13(6) of the Code of Iowa.

(C) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brian Meffert, City Council Member, employee of DRG Mechanical	Furnace replacement at the Recreation Center, parts, and supplies	\$10,851.09
Ted Underberg, City Council Member, employee of Hillyard	Supplies for the different departments of the City.	\$ 3,184.28

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

City of Larchwood  
Detailed Recommendations  
For the period July 1, 2014 through June 30, 2015

- (D) Annual Financial Report (AFR) Reporting City Revenues – The AFR did not include State Library Grants totaling \$2,271.52 on line 49 column a. AFR also did not include \$1,294.64 of Park, Recreation and Cultural revenues which made the year end fund balance incorrect in Part II of the AFR.

Recommendation – The revenues should be reported in the same column-fund as they are recorded in the accounting records.

- (E) Disbursement Documentation – Disbursements for the Library in October 2014 and May 2015 did not have any supporting invoices or other documentation to support the payment of the expenditures. There was no meeting of the Library Board in October 2014 to first approve the expenditures.

Recommendation – The disbursement should have supporting invoices or other documentation to support the payment of the expenditures.

- (F) Pay Rates for Library Employees – The pay rates for the Library employees are not included in the minutes of the Library Board or the City Council.

Recommendation – The pay rates of all City employees should be approved by City Council and published in the minutes.