

**CITY OF PETERSON, 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

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Name	Title	Term Expires
<b>Elected Officials</b>		
Scott Brown	Mayor	December, 2015
Steve Lohr	Council Member	December, 2015
Vince McGee	Council Member	December, 2015
Deb Collingwood	Council Member	December, 2015
Terry Selk	Council Member	December, 2017
Rick Delutri	Council Member	December, 2017
<b>Appointed Officials</b>		
Denise Riley	City Clerk	Indefinite

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

To the Honorable Mayor and  
Members of the City Council  
City of Peterson, 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 Peterson for the period July 1, 2014 through June 30, 2015. The City of Peterson'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 fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 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 Peterson, 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 Peterson and other parties to whom the City of Peterson 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

Traer, Iowa  
October 5, 2015

**Detailed Recommendations**

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## Detailed Recommendations

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

**Recommendation** - We realized 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 disbursements were reconciled each month, but bank balances and investment accounts were not reconciled to the general ledger. For the month of March, 2015, there was a check order of \$69.85 that did not appear to be reported in the general ledger. There also did not appear to be any independent review of the bank reconciliations. In addition, the outstanding check list did not include the dates checks were written or payees.

**Recommendation** - The City should establish procedures to ensure that the general ledger is reconciled to the bank and investment account balances monthly. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations. The outstanding check list should detail the check number, payee and the date written in addition to the amount outstanding.

## Detailed Recommendations

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

- (C) **Unclaimed Property** - Chapter 556.11 of the Code of Iowa requires cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State.

**Recommendation** - Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State as required by law.

- (D) **Official Depositories** - A resolution naming official depositories has not been adopted by the City Council as 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.

- (E) **Investment Policy** - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

**Recommendation** - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (F) **Chart of Accounts** - The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

**Recommendation** - To provide better financial information and control, the COA, or its equivalent, should be followed.

- (G) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires the publication of City Council minutes be published within 15 days of the meeting and include a summary of all receipts and amendments adopted. Of the four monthly minutes reviewed, all four were published later than 15 days after the meeting. Three of the four monthly minutes reviewed did not include a summary of receipts and one did not include the summary of a budget amendment adopted.

**Recommendation** - The City should comply with the Code of Iowa and publish City Council minutes within 15 days of the meeting. The City should ensure the minutes contain a summary of all receipts and amendments adopted.

- (H) **Management Financial Information** - The Clerk's report did not properly present the information by fund, including the beginning balance, receipts, disbursements, transfers and ending balance. Also, the Clerk's financial reports to the City Council did not include comparisons of actual disbursements to budget by function.

**Recommendation** - The City should establish procedures to ensure that the Clerk's report presents the required information by fund. In addition, 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 to the certified budget by function.

## Detailed Recommendations

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

- (I) **Disbursements** - The City is not classifying disbursements by function in accordance with the recommended COA. Also, supporting documents are not canceled after payment. In addition, complete supporting documentation was not available for three disbursements in the amounts of \$20.20, \$100.00 and \$476.10. The disbursements of \$100.00 and \$476.10 were also not approved by the City Council.

**Recommendation** - The City should classify disbursements by function in accordance with the recommended COA. Also, supporting documents should be canceled after payment. In addition, all disbursements should be supported by invoices or other supporting documentation.

- (J) **Investments** - Investment accounts are not included in the general ledger.

**Recommendation** - All accounts including investment accounts should be included in the general ledger.

- (K) **Prenumbered Receipts** - Prenumbered receipts were not issued for all cash collections.

**Recommendation** - Prenumbered receipts should be issued for all cash collections.

- (L) **Surety Bond Coverage** - Surety bond coverage for City officials and employees does not include the Mayor as required by Chapter 64 of the Code of Iowa.

**Recommendation** - The City should comply with Chapter 64 of the Code of Iowa and maintain surety bond coverage for both the City Clerk and the Mayor.

- (M) **Payroll** - The following were identified:

(1) The City employee's raises were not documented in the City Council minutes.

(2) The City Clerk received an additional check in April for vacation payout, but there is no written vacation policy.

(3) Written approval is not required to add or remove someone from payroll.

(4) There are no procedures in place to ensure that employees are not overpaid.

**Recommendation** - All hiring salaries and wage increases should be documented in the City Council minutes and filed in the employee's personnel file. The City Council should approve a written vacation policy or give some other type of approval in the City Council minutes before paying unused vacation time. There should be written approval before adding or removing anyone from the payroll, and an independent person should periodically review and test wage and withholding rates for proper calculations. Evidence of testing should be retained.

## Detailed Recommendations

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

- (N) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** - Utility billings, collections and delinquent accounts are not reconciled on a monthly basis.

**Recommendation** - Procedures should be established to reconcile utility billings, collections and delinquent accounts and an independent person should review the reconciliation and monitor delinquent accounts each month. The review of the reconciliation should be evidenced by the signature or initials of the reviewer and the date of the review.

- (O) **Entrance and Exit Conferences** - We are required to hold both entrance and exit conferences with the City Clerk. The entrance conference is necessary for planning purposes, while the exit conference is necessary to communicate our findings. The City Clerk was not present for these conferences.

**Recommendation** - We recommend that the City Clerk should be present for the City examination.

- (P) **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.

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

- (Q) **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 similar, situation arises.