

**CITY OF VOLGA, 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>Officials</b>		
Pete Duff	Mayor	December, 2015
Joan Elaine Follon	Council Member	December, 2015
Carrie Taylor	Council Member	December, 2015
Dave Armoto	Council Member	December, 2015
Dennis Christeleit	Council Member	December, 2015
Mike Howard	Council Member	December, 2015
Kristin Klingman	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 Volga, 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 Volga for the period July 1, 2014 through June 30, 2015. The City of Volga'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.

To the Honorable Mayor and  
Members of the City Council  
City of Volga, Iowa  
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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 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 Volga, 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 Volga and other parties to whom the City of Volga 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 14, 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:

- Accounting System - performing all general accounting functions and having custody of assets.
- Cash - handling, reconciling and recording.
- Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- Receipts - opening mail, collecting, depositing, reconciling and posting.
- Utilities - billing, collecting, depositing, posting and maintaining detailed accounts receivable and write-off records.
- Debt - recordkeeping, compliance and debt payment processing.
- 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 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 published meeting minutes of all City Council proceedings to include total disbursements from each fund. None of the minutes of the four monthly meetings reviewed included disbursements from each fund.

**Recommendation** - The City should comply with the Code of Iowa and publish City Council meeting minutes which include total disbursements from each fund.

(C) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, for the two months reviewed, bank and book balances did not properly reconcile. Also, for one of the months reviewed, two of the five bank accounts were not reconciled to the books. In addition, investment balances were not reconciled to investment account balances throughout the year. For one of the two months reviewed, there was a \$500 variance which was not resolved. Also, there was no indication of an independent review of the bank reconciliations.

**Recommendation** - The City should establish procedures to ensure that bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved in a timely manner. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

## Detailed Recommendations

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

- (D) **State Receipts** - We reviewed receipts from the State of Iowa and noted variances. There was one receipt which was received in fiscal year 2016 and recorded in fiscal year 2015. Also, there was one receipt which was received in fiscal year 2015 and recorded in fiscal year 2014. In addition, there was a receipt which should have been deposited by the City of Volga and the money should have then been transferred to the Volga Fire Department. However, this receipt was incorrectly directly deposited into the Volga Fire Department's bank account.

**Recommendation** - The City should establish procedures to ensure that receipts are recorded in the accounting period in which that were received. In addition, all receipts from the State of Iowa should be deposited in the City's bank account and recorded in the City's general ledger before transferring any moneys to other parties.

- (E) **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 as required.

- (F) **Petty Cash** - The City's petty cash funds were not included in the City's accounting records and resulting fund balances.

**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 funds and accounts, including petty cash, should be included in the Clerk's accounting system.

- (G) **Annual Financial Report** - Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city and all expenditures..." The City's Annual Financial Report reported beginning and ending fund balances that do not agree with the City's records.

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

- (H) **Property Taxes** - We reviewed property tax deposits from the county throughout the year and reconciled the amounts received to the City's general ledger. We noted a variance of \$886.51.

**Recommendation** - The City should establish procedures to ensure that the City's general ledger agrees to property tax deposits.

- (I) **Receipts** - We performed a test of receipts from bank deposits to the books for one month and noted a variance of \$75.25.

**Recommendation** - The City should establish procedures to ensure that all deposits are recorded in the City's records.

- (J) **Disbursements** - Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for five transactions tested could not be located.

**Recommendation** - All disbursements should be supported by invoices or other supporting documentation.

## Detailed Recommendations

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

- (K) **Nonpayroll Transactions** - We reviewed nonpayroll disbursements to City personnel, and 5 of the 25 disbursements did not have supporting documentation.

**Recommendation** - All disbursements should be supported by invoices or other supporting documentation.

- (L) **Monthly Clerk's Report** - The monthly Clerk's report presented to the City Council for approval does separate out transfers between funds. In addition, the monthly Clerk's report agrees to the general ledger in total, but individual fund balances do not agree to the general ledger.

**Recommendation** - Transfers between funds should be shown separately in the monthly reports presented to the City Council for approval. In addition, individual fund balances presented on the monthly Clerk's report should agree to the general ledger.

- (M) **Payroll** - Supporting documentation for authorization of hourly rates was not available for two of the five employees tested.

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

- (N) **Unclaimed Property** - Chapter 556.11 of the Code of Iowa requires all 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 annually.

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

- (O) **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.

- (P) **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.

## Detailed Recommendations

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

- (Q) **Section 148** - The City does not have written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code.

**Recommendation** - The City should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code.

- (R) **Fund Accounting** - The City is not properly using fund accounting in their accounting software. In addition, 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** - The City should establish procedures to ensure the City's records properly use fund accounting. In addition, to provide better financial information and control, the COA, or its equivalent, should be followed.