CITY OF DRAKESVILLE, 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

Name	Title	Term Expires
	Officials	
Robert Sampson	Mayor	December, 2015
Karen Rudd	Council Member	December, 2015
Sharon Sines	Council Member	December, 2015
Brian Thomas	Council Member	December, 2015
Adam Scott	Council Member	December, 2015
Brandon Tolle	Council Member	December, 2015
Mary Stocker	City Clerk/Treasurer	Indefinite

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Certified Public Accountants and Consultants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and
Members of the City Council
City of Drakesville, 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 Drakesville for the period July 1, 2014 through June 30, 2015. The City of Drakesville'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 theses 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 (AFR) to determine whether it was completed and accurately reflects the City's financial information.

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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 or accurate accounting and consistency with the CFC recommended chart of accounts.

10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.

11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.

12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.

13. 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 Drakesville, 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 Drakesville and other parties to whom the City of Drakesville 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 21, 2015

Detailed Recommendations

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:

- 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, journalizing, reconciling and posting.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- Payroll - recordkeeping, preparing, signing and distributing.
- 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 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, only one of the minutes included the reasons for the claims.

Recommendation - The City should comply with Chapter 372.13(6) of the Code of Iowa and include a list of all claims allowed, including the reason for each claim in the City Council minutes.

(C) **Bank Reconciliations** - The cash and investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year. For the two months reviewed, bank and book balances did not properly reconcile.

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

(D) **Management Financial Information** - The Clerk's financial reports to the City Council did not include comparisons to the certified budget by function or a Clerk's report showing receipts, disbursements, transfers and balances for each fund each month.

Recommendation - To provide better control over budgeting 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 and a Clerk's report showing receipts, disbursements, transfers and balances for each fund.

(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 - The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

(F) **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.

(G) **Certified Budget** - Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the public works and general government functions. 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 - In the future, the budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

(H) **Payroll** - We noted two of the three employees' payroll tested did not have supporting documentation to indicate the City Council approved the salary. In addition, the timesheets of an hourly employee did not include evidence of supervisory review.

Recommendation - The City Council should approve all employee salaries and document that approval as part of the minutes and in the employee personnel files. In addition, all timesheets should be reviewed and approved by supervisory personnel prior to processing payroll.

(I) **Fund Accounting** - The City is not properly using fund accounting. 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 that the City properly uses fund accounting. In addition, to provide better financial information and control, the COA, or its equivalent, should be followed

(J) **Annual Financial Report** - The beginning and ending fund balances did not agree with the City's accounting records.

Recommendation - The City should ensure that fund balances agree with the City's accounting records.

(K) **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.

(L) **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.

(M) **Transfers** - The City transfers money to and from various funds periodically. However, these transfers were not always approved by the City Council.

Recommendation - The City Council should approve all fund transfers and document approval and amounts as part of the minutes.

(N) **Disbursements** - Supporting documentation was not available for 2 of 30 disbursements tested in the amounts of $2,000.00 and $14.98. We also noted that the $2,000.00 disbursement was not approved by the City Council.

Recommendation - The City should maintain supporting documentation for all disbursements. In addition, the City should establish procedures to ensure that a complete list of claims is provided to the City Council for approval.