

**CITY OF FLORIS, 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>		
Carolyne Brown	Mayor	December, 2015
Robin Fine	Council Member	December, 2015
Russell Bales	Council Member	December, 2015
Melissa Liles	Council Member	December, 2015
Dwight Miller	Council Member	December, 2015
Maxine Harward	Council Member (appointed August 4, 2014)	December, 2015
Darian Bengé	Council Member	Resigned July 28, 2014
Marcie Bengé	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 Floris, 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 Floris for the period July 1, 2014 through June 30, 2015. The City of Floris'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 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 and tested selected receipts or accurate accounting and consistency with the CFC recommended COA.
9. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. 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 Floris, 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 Floris and other parties to whom the City of Floris 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 22, 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.
- 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** - The following were identified:

- Chapter 380.7 of the Code of Iowa requires the Clerk to authenticate all measures except motions with a signature. In the four meetings tested, one of the minutes was not signed by the Clerk.
- Chapter 372.13(6) of the Code of Iowa requires the publication of City Council minutes to include the total disbursements by fund. In the four meetings tested, none of the minutes included total disbursements by fund.
- 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, none of the minutes included the reasons for the claims.

**Recommendation** - The City should comply with Chapter 380.7 of the Code of Iowa and ensure that the Clerk authenticates all measures except motions with a signature. In addition, the City should comply with Chapter 372.13(6) of the Code of Iowa and include total disbursements from each fund and list of all claims allowed, including the reason for the claim in the City Council minutes.

## Detailed Recommendations

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

- (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) **Clerk's Monthly Report** - The Clerk's report did not properly present the information by fund, including the beginning balance, receipts, disbursements, transfers and ending balance.

**Recommendation** - The City should establish procedures to ensure that the Clerk's report presents the required information by 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) **Local Option Sales Tax (LOST)** - The City's LOST ballot requires LOST receipts be used 100% for streets and miscellaneous expenditures. The City's LOST receipts are deposited in to the City's general bank account and no documentation is maintained to support how the funds were used or the unspent balances held for the specified purposes.

**Recommendation** - The City should establish procedures to properly account for LOST receipts, disbursements and balances in accordance with the LOST ballot provisions.

- (G) **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.

- (H) **Disbursements** - In our test of 30 checks written, we found one check for \$30,590 where the amount and payee on the check did not match the general ledger and the disbursement was not properly classified by function in accordance with the recommended Uniform Chart of Accounts (COA). In addition, 6 of 30 disbursements tested in the amounts of \$104.70, \$63.63, \$190.00, \$101.89, \$30,590.00 and \$26.96 were not authorized by the City Council.

**Recommendation** - The City should establish procedures to authenticate a detailed listing of claims or document approval on each invoice. In addition, the City should ensure that all disbursements are included in the general ledger and all disbursements are properly classified by function in accordance with the recommended COA.

## Detailed Recommendations

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

- (I) **Payroll** - The timesheet of the City's one employee did not include evidence of supervisory review. In addition, the wage of the employee was not approved by the City Council.

**Recommendation** - Timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Additionally, the City Council should approve pay rates for City employees at the time of hiring and when raises occur, and documentation of the approval should be retained in each employee's personnel file.

- (J) **Payroll Tax Forms** - The City did not file Forms 1099, 941 and W-2 during fiscal year 2015.

**Recommendation** - The City should establish procedures to ensure that Forms 1099, 941 and W-2 are filed.

- (K) **Financial Reporting** - We reviewed the general ledger for fiscal year 2015 and noted activity for each fund was not recorded. In addition, not all bank account activity was included in the general ledger.

**Recommendation** - The City should establish procedures to ensure that the general ledger accounts for transactions by fund is accurate and includes all bank account balances and activity.

- (L) **Fund Accounting** - The City is not properly using fund accounting within its general ledger. Also, because the City does not properly use fund accounting, we were unable to determine if any of the fund balances had a deficit balance. In addition, the City has not fully implemented the Uniform 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's records properly use fund accounting. In addition, to provide better financial information and control, the COA, or its equivalent, should be followed.

- (M) **Management Financial Information** - The Clerk's financial reports to the City Council included a Clerk's report, but it did not include comparisons of actual disbursements to budget by function.

**Recommendation** - 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.

- (N) **Annual Financial Report (AFR)** - Chapter 384.22 of the Code of Iowa requires the City's AFR contain a "summary for the proceeding fiscal year of all collections and receipts, all accounts due the city and all expenditures..." The City's AFR reported receipts, disbursements and fund balances which did not agree with the City's records.

**Recommendation** - The City should ensure future AFRs agree with the City's records.

- (O) **Receipts** - We performed a test of receipts compared to bank deposits for one month and noted that the bank deposits exceeded bank receipts by \$70.

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

## Detailed Recommendations

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

- (P) **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.

- (Q) **Separately Maintained Records** - The City of Floris Fire Department and Veterans' Memorial maintain separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records. Supporting documentation was not maintained for all disbursements from the accounts.

**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 reported to the City Council on a monthly basis. Supporting documentation should be maintained to support all disbursements.