

**CITY OF GREELEY, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015**

Table of Contents ---

Officials	1
Independent Accountant’s Report on Applying Agreed-Upon Procedures	2-3
Detailed Recommendations	4-7

Officials

Name	Title	Term Expires
Elected Officials		
Dave Kruse	Mayor	December, 2015
Terry Brady	Council Member	December, 2015
Charlotte Graham	Council Member	December, 2015
Michael Schmitz	Council Member	December, 2017
Justin Fry	Council Member	December, 2017
Terry Kloser	Council Member	December, 2017
Appointed Officials		
Marge Horstman	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 Greeley, 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 Greeley for the period July 1, 2014 through June 30, 2015. The City of Greeley'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 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 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 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 Greeley, 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 Greeley and other parties to whom the City of Greeley 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
August 19, 2015

Detailed Recommendations

Detailed Recommendations

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

- (A) **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.

- (B) **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.
- 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 - preparing, signing and distributing.
- Computer system - performing all general accounting functions and controlling all data input and output.

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 and journal entries should be evidenced by the signature or initials of the review and the date of review.

- (C) **Prenumbered Receipts** - Prenumbered receipts were not issued for all collections and an initial listing of collections was not prepared.

Recommendation - Prenumbered receipts should be issued for all collections and an initial listing of collections should be prepared. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

Detailed Recommendations

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

(D) **City Council Minutes** - The following were identified:

- Chapter 372.13(6) of the Code of Iowa requires minutes to include the total disbursements by fund. In the four meetings tested, none of the meetings 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 meetings included the reason for the claims.
- Chapter 372.13(6) of the Code of Iowa requires the publication of City Council minutes to include a summary of all receipts. In the four meetings tested, none of the meetings included a summary of all receipts.

Recommendation - The City should comply with Chapter 372.13(6) of the Code of Iowa and include total disbursements from each fund, the reason for the claims allowed and a summary of all receipts in the City Council minutes, as required.

(E) **Monthly Clerk's Report** - The monthly Clerk's report presented to the City Council for approval does not contain receipts, disbursements and transfers for each fund.

Recommendation - Receipts, disbursements and transfers should be included in the monthly reports presented to the City Council for approval.

(F) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, there was no indication of an independent review of the bank reconciliations.

Recommendation - An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(G) **Deposits** - 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.

(H) **General Obligation Bond** - The City incorrectly recorded the amount of general obligation bonds owed as a liability within its cash basis general ledger. In addition, Chapter 384.4 of the Code Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund." The City paid general obligation debt from funds other than the Debt Service Fund.

Recommendation - The City should remove the liability recorded for the general obligation bonds. In addition, in the future, the City should transfer funds to the Debt Service Fund to pay general obligation debt.

Detailed Recommendations

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

- (I) **Financial Reports** - Although monthly financial reports were prepared, the reports do not agree with the general ledger. In addition, receipts, disbursements and fund balances reported on the Annual Financial Report (AFR) did not agree with the City's financial records, and budget amounts reported on the AFR and monthly financial reports did not agree with the budget.

Recommendation - The City should establish procedures to ensure the monthly financial reports and AFR reconcile to the general ledger and budget. In addition, the budget column in the AFR and monthly financial reports should agree with the City's budget.

- (J) **Financial Condition** - As of June 30, 2015, the City had a deficit balance of \$6,059 in the General Fund.

Recommendation - The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

- (K) **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. In addition, we were unable to determine disbursements by function and compare disbursements to determine whether the amounts were within the budget. We determined disbursements in total exceeded total budgeted disbursements.

Recommendation - To provide better financial information and control, the COA or its equivalent, should be followed. In addition, the budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (L) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** - Utility billings, collections and delinquent accounts were reconciled monthly. The delinquent accounts listing included several past-due amounts from 2003 totaling \$1,668. However, these accounts were not actually delinquent amounts as they had been assessed to the property owner and collected through the assessment process in a prior year.

Recommendation - The City should establish procedures to ensure the delinquent accounts listing is accurate.

- (M) **Local Option Sales Tax (LOST)** - The City did not have a copy of the most recent LOST ballot or revenue purpose statement. In addition, the City has not been tracking the use of LOST receipts.

Recommendation - The City should retain a copy of the LOST ballot and revenue purpose statement. In addition, the City should implement procedures to track LOST disbursements and transfers to ensure LOST receipts are being used in accordance with the ballot.

- (N) **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.

Detailed Recommendations

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

- (O) **Timesheets** - Although timesheets were prepared for all employees, there was no indication the timesheets were review and approved.

Recommendation - Employee timesheets should be reviewed and approved, with the approval being documented.

- (P) **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.