

CITY OF MINGO, 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		
Gary Bartels	Mayor	January, 2016
Rhonda Milligan	Council Member	January, 2016
Stacy Lane	Council Member	January, 2016
John Oberhart	Council Member	January, 2018
Robert Perry	Council Member	January, 2018
Melanie Goaley-Pleggenkuhle	Council Member	January, 2018
Sondra Kenney	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 Mingo, 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 Mingo for the period July 1, 2014 through June 30, 2015. The City of Mingo'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 (AFR) 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 tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts or accurate accounting and consistency with the CFC recommended chart of accounts.
12. 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.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 Mingo, 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 Mingo and other parties to whom the City of Mingo 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
September 23, 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.
- Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- Utilities - billing, collecting, depositing, posting, entering rates into the system 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 and preparing.
- 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 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 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within 15 days of the meeting. In the four meetings tested, the minutes for one of the meetings was not published within 15 days.
- 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, the minutes for 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, the minutes for one of the meetings did not include a list of claims or the reason for all 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, the minutes for 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 publish City Council minutes, within 15 days, including total disbursements from each fund, the reason for the claims allowed and a summary of all receipts in the City Council minutes, as required.

Detailed Recommendations

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

- (C) **Petty Cash** - The City did not reconcile the petty cash in a timely manner. In addition, the City did not maintain a log of petty cash receipts and disbursements.

Recommendation - To provide better control and overall accountability, the City should maintain a log of petty cash and reconcile petty cash in a timely manner.

- (D) **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.

- (E) **Financial Condition** - As of June 30, 2015, the City had deficit balances in the Road Use Tax Fund, Employee Benefit Fund, Sewer Capital Project Fund and Water Fund.

Recommendation - The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.

- (F) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, for one of the two months reviewed, bank balances did not properly reconcile. A variance of \$281.04 was not resolved.

Recommendation - The City should establish procedures to ensure that bank account balances are reconciled to the general ledger and any variances are reviewed and resolved in a timely manner.

- (G) **Official Depositories** - While the City has a depository resolution, the resolution does not indicate the deposit limit by individual institution for the checking and savings accounts 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) **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.

Detailed Recommendations

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

- (I) **Tax Increment Financing (TIF) Indebtedness Certification** - Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF increment property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal and interest on the certified indebtedness. In December, 2014, the City decertified \$41,156 which was \$30,676 more than should have been decertified.

Recommendation - The City should certify the additional \$30,676 of TIF indebtedness.

- (J) **Clerk's Monthly Report** - The Clerk's report did not properly total balances by fund.

Recommendation - The City should establish procedures to ensure the Clerk's report totals balances by fund.

- (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) **Certified Budget** - Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the public safety function. 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 - 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.

- (M) **Payroll** - We noted that one employee's wages were approved by the Library Board of Directors, but it was not approved by City Council. In addition, one employee worked more than 40 hours in a week and was not paid overtime at one and one-half times their hourly rate. Also, one hourly employee did not fill out a time card and we were unable to reconcile hours worked to the payroll journal.

Recommendation - The City Council should approve all employees' wages. In addition, hourly employees who work more than 40 hours in a week should be paid those hours at one and one-half times their hourly rate. Lastly, the City should establish procedures to ensure that employees complete time cards and those hours are approved before paying the employees.