

**CITY OF VALERIA, 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>		
Zac Lee	Mayor	December, 2015
Kathie Warrick	Council Member	December, 2015
Tina Rivers	Council Member	December, 2015
Shane Craft	Council Member	December, 2015
Cerri Oldsen	Council Member	December, 2015
Laura Lee	Council Member	December, 2015
Hunter Lee	Council Member	Resigned April, 2015
Angie Craft	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 Valeria, 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 Valeria for the period July 1, 2014 through June 30, 2015. The City of Valeria'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.

To the Honorable Mayor and  
Members of the City Council  
City of Valeria, Iowa  
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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 and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 Valeria, 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 Valeria and other parties to whom the City of Valeria 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 1, 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, reconciling and posting.
- Debt - recordkeeping, compliance and debt payment processing.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- Computer System - performing all general accounting functions and controlling all data input and output.
- Financial Reporting - Preparing and reconciling.

**Recommendation** - We realize that 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** - 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, 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 none of the meetings included a list of claims allowed.
- 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 and include total disbursements from each fund, a list of claims allowed, including the reason for the claims allowed and a summary of all receipts 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 balances in the City's general ledger were reconciled to bank account balances throughout the year. However, the checks listed as outstanding each month were checks which were written the following month. Therefore, the bank reconciliations were not properly prepared and reported incorrect balances. In addition, this resulted in recording disbursements in the incorrect time period in the City's general ledger. Also, there was no indication that bank reconciliations were independently reviewed.

**Recommendation** - The City should establish procedures to ensure that checks which have already been written but have not cleared on the bank statements, are listed as the outstanding checks on the bank reconciliations. In addition, the City should establish procedures to ensure disbursements are recorded in the correct time period in the City's general ledger. Also, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- (D) **Management Financial Information** - The Clerk's financial reports to the City Council did not include comparisons of actual disbursements to the certified 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 of actual disbursements to the certified budget by function.

- (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.

- (F) **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..." We were unable to agree beginning and ending fund balances to the City's records.

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

- (G) **Chart of Accounts** - The City has not implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002. Therefore, we were unable to determine whether disbursements by function were within the budgeted amounts. We were also unable to determine if disbursements were properly classified by function.

**Recommendation** - To provide better financial information and control, the COA or its equivalent should be followed.

- (H) **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 for all canceled checks as required by Chapter 554D.114 of the Code of Iowa.

## Detailed Recommendations

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

- (I) **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.

- (J) **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 as it relates to debt obligations.

**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.

- (K) **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.