CITY OF ARCHER, 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
	Elected Officials	
Karen Storm	Mayor	December 31, 2015
Leo Kuiper	Council Member	December 31, 2015
Bill Engeltjes	Council Member	December 31, 2015
Tami Heerde	Council Member	December 31, 2017
Esther Meyer	Council Member	December 31, 2017
Sue Philip	Council Member	December 31, 2017
	Appointed Officials	
Wendy Ewoldt	City Clerk	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 Archer, 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 Archer for the period July 1, 2014 through June 30, 2015. The City of Archer'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 to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

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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 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 Archer, 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 Archer and other parties to whom the City of Archer 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 25, 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:

(1) Accounting system - performing all general accounting functions, including journal entries, and having custody of assets.

(2) Cash - handling, reconciling and recording.

(3) Investing - recordkeeping, investing, custody of investments and reconciling earnings.

(4) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.

(5) Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.

(6) Journal entries - preparing and journalizing.

(7) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.

(8) Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.

(9) Computer system - performing all general accounting functions and controlling all data input and output.

(10) Financial reporting - preparing and reconciling.

Recommendation - We realize that segregation of duties is difficult with the 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 reviewer and the date of the review.

(B) **Bank Reconciliations** - Cash balances in the City's general ledger were reconciled to bank balances throughout the year. Investment balances were only reconciled at the end of the year. In addition, the bank reconciliations are not independently reviewed.

Recommendation - The City should establish procedures to ensure that the general ledger is reconciled to the bank and investment account balances monthly. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

(C) **Certified Budget** - Disbursements exceeded the amounts budgeted in the public safety 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 - 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.

(D) **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 as required.

(E) **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.

(F) **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.

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

(G) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires that the publication of City Council minutes include a summary of all receipts. In the four meetings tested, none of the minutes included a summary of all receipts.

Recommendation - The City should comply with the Code of Iowa and ensure that the minutes contain a summary of all receipts.

(H) **Financial Reports** - The following were identified:

(1) The RUT fund balance on the Clerk's report doesn't match the general ledger.

(2) The Clerk's reports to the City Council do not include comparisons to the certified budget by function or include a summary of beginning balance, receipts, disbursements, transfers and ending balance by fund.

Recommendation - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's reports to the City Council should balance all accounts to the general ledger each month and include comparisons to the certified budget by function. Also, for better financial information, the monthly reports should also include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

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

(I) **Disbursements** - The City is not classifying disbursements by function in accordance with the recommended COA.

While the City Council documents approval of claims in the minutes, approval is not indicated on the invoices, nor are supporting documents canceled after payment. In addition, complete supporting documentation was not available for 3 of 30 disbursements tested in the amounts of $49.00, $49.00 and $48.40, of which two were to a related party.

Recommendation - The City should classify disbursements by function in accordance with the recommended COA. The City should establish procedures to authenticate a detailed listing of claims or document approval on each invoice and maintain supporting documentation for all disbursements. Supporting documents should be canceled after payment.

(J) **Investments** - Investment documents are maintained by the City Clerk, but are not kept in a safe deposit box or vault.

Recommendation - All investment documents should be maintained in a secure location such as a safe deposit box or vault.

(K) **Prenumbered Receipts** - Prenumbered receipts were not issued for all cash collections.

Recommendation - Prenumbered receipts should be issued for all cash collections.

(L) **Journal Entries** - Supporting documentation was not maintained for journal entries. In addition, journal entries are not reviewed and approved by an independent individual.

Recommendation - Supporting documentation should be maintained which substantiates all journal entries. An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

(M) **Bona Fide Employees** - There is no supporting documentation that City employees are bona fide employees.

Recommendation - The City should put controls in place to ensure that all employees are bona fide and maintain the supporting documentation.

(N) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** - Utility billings, collections and delinquent accounts were not reconciled and reviewed by an independent person.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquent accounts and an independent person should review the reconciliation and monitor delinquent accounts each month. The review of the reconciliation should be evidenced by the signature or initials of the reviewer and the date of the review.

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

(O) **Annual Financial Report (AFR)** - Beginning fund balances in the 2014 AFR do not match the City's general ledger. Prior to submitting the 2014 AFR, the City implemented new software and discovered inaccuracies in its balances.

Recommendation - The City should establish procedures to ensure that the AFR, including the beginning fund balances, is accurate and supported by the general ledger.

(P) **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.

(Q) **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:

(1) Aid in training additional or replacement staff.

(2) Help achieve uniformity in accounting and in the application of policies and procedures.

(3) Save supervisory time by recording decisions so they will not have to be made each time the same or similar situation arises.