

CITY OF CRAIG, 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		
Barry Cornish	Mayor	December, 2015
Glen Moller	Council Member	December, 2015
Gary Schiltz	Council Member	December, 2015
Kelly Plueger	Council Member	December, 2015
Joyce Ludwigs	Council Member	December, 2015
Norm Weber	Council Member	December, 2015
Appointed Officials		
Roger Broek	City Clerk	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Craig, 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 Craig for the period July 1, 2014 through June 30, 2015. The City of Craig'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 investments to determine compliance with Chapter 12B of the Code of Iowa.
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 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 Craig, 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 Craig and other parties to whom the City of Craig 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
November 9, 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. We noted that incompatible duties are being performed by the same person.

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.

- (B) **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.

- (C) **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.

- (D) **Monthly Clerk's Report** - The monthly Clerk's report presented to the City Council for approval does not contain receipts, transfers or balances by fund and in total.

Recommendation - The monthly Clerk's report should contain receipts, disbursements, transfers and balances for each fund and in total.

- (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 establish a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (F) **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.

- (G) **Bank Reconciliations** - Although monthly bank reconciliations were prepared, they were not reviewed by an independent person.

Recommendation - The reconciliations should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review.

- (H) **Certified Budget** - Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the public works, community and economic development 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."

Detailed Recommendations

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

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.

- (I) **Prenumbered Receipts** - Preprinted, prenumbered receipts were not issued for all collections, and an initial listing of collections was not prepared and reconciled to the bank deposit.

Recommendation - Preprinted, 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.

- (J) **Disbursements** - While the City Council notes approval of claims in the minutes, approval of payments is not documented by the signature or initials of the reviewer and the date of review on supporting documentation.

Recommendation - Supported documents for disbursements should be reviewed by the check signers prior to signing checks. Payment approval should be documented by the signature or initials of the reviewer and the date of review on the supporting documentation.

- (K) **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.

- (L) **Fund Accounting** - The City does not use fund accounting in the general ledger, and transfers between funds were not recorded properly. Although a transfer of \$42,000 was properly approved at the February meeting, the City does not use fund accounting, so the transfer was not recorded.

Recommendation - The City should fully implement fund accounting. Once fund accounting is being used, the City should record transfers in the proper funds.

- (M) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires that minutes of all City Council proceedings include a summary of all receipts and total disbursements by fund. The minutes we reviewed did not contain a summary of all receipts or total disbursements by fund.

Recommendation - The City should comply with the Code of Iowa and include a summary of all receipts and total disbursements for each fund.

- (N) **Property Tax Receipts** - When reviewing property tax receipts, we noted that a portion of the May property tax receipt was incorrectly recorded as Local Option Sales Tax.

Recommendation - The City should establish procedures to properly record property tax collections to the general ledger.