

**CITY OF ALLEMAN, 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>		
William Bodensteiner	Mayor	Resigned subsequent to June 30, 2015
Carmella Jones	Interim Mayor (appointed subsequent to June 30, 2015)	December, 2015
David Wilcox	Council Member	December, 2015
Perry Smith	Council Member	December, 2017
Loren Steinkamp	Council Member	December, 2017
Bill Stevens	Council Member	December, 2015
John Hathaway	Council Member	December, 2015
Kathleen Larson	City Clerk/Treasurer	Indefinite
James Thornton	City Attorney	Indefinite

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

To the Honorable Mayor and  
Members of the City Council  
City of Alleman, 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 Alleman for the period July 1, 2014 through June 30, 2015. The City of Alleman'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 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 recommended COA.
12. 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.
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 Alleman, 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 Alleman and other parties to whom the City of Alleman 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 3, 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:

- Cash - handling, reconciling and recording.
- Receipts - opening mail, collecting, depositing, reconciling and posting.
- Disbursements - purchasing, invoice processing, check writing, posting, mailing and reconciling.
- Payroll - recordkeeping, preparing, posting, signing and distributing.
- Computer system - performing all general accounting functions and controlling all data input and output.
- Financial reporting - preparing and reconciling.

**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 bank account reconciliations and journal entries 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 the publication of City Council minutes to include the total disbursements by fund. In the four meetings tested, none of the minutes 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 minutes included a list of claims or the reason for any of 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 minutes 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 including total disbursements from each fund, a list of claims allowed including the reason for the claims allowed and a summary of all receipts, as required.

(C) **Treasurer's Monthly Report** - The June and March, 2015 Treasurer's reports did not agree to the general ledger in total. Variances of \$2,433.14 and \$38,661.73, respectively, were not resolved.

**Recommendation** - The City should establish procedures to ensure that the Treasurer's report agrees to the general ledger.

## Detailed Recommendations

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

- (D) **Bank Reconciliations** - Although monthly bank reconciliation were prepared, not all bank balances were included in the monthly bank reconciliation or reconciled to the City's general ledger fund balances. There was no indication of an independent review of the bank reconciliations. Book and bank balances did not properly reconcile for one of the two months reviewed. A variance of \$2,433.14 was not resolved. In addition, we noted one check in the amount of \$100.00 which should not have been included in the listing of outstanding checks for the two months tested since it was voided in a prior month. Also, the list of outstanding checks did not include the date that the check was written.

**Recommendation** - The City should establish procedures to ensure that all bank account balances are reconciled and agreed to the general ledger monthly. In addition, an independent person should review the reconciliations and document the review by initialing and dating the monthly reconciliations. Variances, if any, should be resolved timely. Also, the list of outstanding checks should include the date the outstanding check was written.

- (E) **Official Depositories** - A resolution naming official depositories and maximum amount of funds which may be maintained at that depository 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.

- (F) **Debt Service** - A portion of general obligation debt payments were not recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

**Recommendation** - General obligation debt payments should be recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

- (G) **Internal Revenue Code Section 148 Debt Compliance** - 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.

- (H) **Annual Urban Renewal Report (AURR)** - The AURR report was not approved by the City Council and was not certified to the Iowa Department of Management on or before December 1. The report was certified on January 19, 2015.

In addition, the City's TIF cash balance in the Special Revenue, Tax Increment Fund reported on the Levy Authority Summary did not agree with the City's general ledger.

**Recommendation** - The City should approve and file the AURR timely and should ensure the amounts reported on the Levy Authority Summary agree with the City's general ledger.

## Detailed Recommendations

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

- (I) **Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation** - A complete copy of the Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation was not made available. Therefore, we were unable to identify and reconcile the City's certified TIF obligations. In addition, we were not able to determine if there were unusual or unallowable obligations.

**Recommendation** - The City should ensure complete supporting documentation is maintained in order to identify and reconcile the City's certified TIF obligations.

- (J) **Annual Financial Report** - The beginning and ending fund balances for the governmental and proprietary activities did not agree to the City's general ledger.

**Recommendation** - The City should ensure fund balances agree with the City's general ledger.

- (K) **Transfers and Journal Entries** - Supporting documentation was not maintained for transfers and journal entries. In addition, transfers and journal entries were not approved by a second person.

**Recommendation** - Supporting documentation should be maintained which substantiates all journal entries. In addition, all transfers should be evidenced by approval in the minutes or budget, as applicable. Journal entries should be approved by an independent person and evidence of the approval should be documented.

- (L) **Water Utilities** - The City contracts with a third party to bill water utility customers and collect receipts. The City did not obtain a reconciliation of billings, collections or delinquent accounts to review. In addition, we were unable to review utility accounts of City officials.

**Recommendation** - The City should obtain a reconciliation of utility billings, collections and delinquent accounts on a monthly basis. In addition, an independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (M) **Disbursements** - While the City Council notes a general approval of claims in the minutes, a detailed list of claims is not prepared and evidence of approval for payment is not indicated on the invoices.

**Recommendation** - The City should establish procedures to authenticate a detailed listing of claims and document approval on each invoice.

- (N) **Certified Budget** - Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the general government and debt service 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.

## Detailed Recommendations

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

- (O) **Payroll** - We noted that the City employees were all paid a salary. However, there was no supporting documentation to indicate that the City Council approved the salaries. In addition, there was no payroll journal or similar supporting documentation to support payroll payments.

**Recommendation** - The City Council should approve employee salaries and document approval and salary amounts as part of the minutes and in each employee's personnel file. In addition, the City should maintain a payroll journal or similar documentation to support payroll payments.

- (P) **Financial Condition** - The General Fund and Employee Benefits Special Revenue Fund had deficit balances as of June 30, 2015.

**Recommendation** - The City should investigate alternatives to eliminated these deficits in order to return the funds to sound financial position.