

CITY OF TENNANT, IOWA  
INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD  
JULY 1, 2014 THROUGH JUNE 30, 2015

CITY OF TENNANT, IOWA  
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CITY OF TENNANT, IOWA  
OFFICIALS  
June 30, 2015

| <u>Name</u>      | <u>Title</u>   | <u>Term Expires</u> |
|------------------|----------------|---------------------|
| Jim Brantner     | Mayor          | January, 2016       |
| Ralph Heese      | Council Member | January, 2016       |
| Dennis Oellerich | Council Member | January, 2018       |
| Harold Peters    | Council Member | January, 2018       |
| Ron Peters       | Council Member | January, 2016       |
| Dana Tuma        | Council Member | January, 2016       |
| Margaret Grabill | City Clerk     | Indefinite          |
| Mark Garrett     | Treasurer      | Indefinite          |

# Gronewold, Bell, Kyhnn & Co. P.C.

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor  
and Members of City Council

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 Tennant for the period July 1, 2014 through June 30, 2015. The City of Tennant'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 security 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 and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.

To the Honorable Mayor  
and Members of City Council

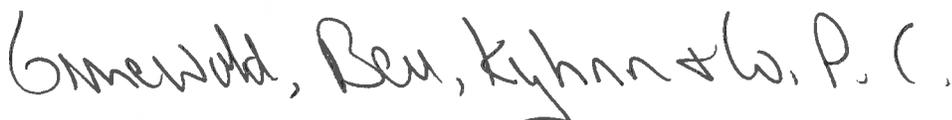
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the 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.
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 non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Tennant, the objective of which is the expression of opinions on the City's financial statements. Accordingly we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Tennant, 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 Tennant, Iowa and other parties to whom the City of Tennant may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Tennant during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ben Kynard, CPA

Atlantic, Iowa  
January 28, 2016

## DETAILED RECOMMENDATIONS

CITY OF TENNANT, IOWA

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) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.

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 documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations - The bank reconciliations were prepared and approved by the City Council monthly. However, the approval of the bank reconciliations was not documented.

Recommendation - An independent person on the City Council should document the review of the bank reconciliation by signing or initialing and dating the monthly reconciliations.

- (C) Chart of Accounts - The City has not fully implemented the recommended 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 recommended COA, or its equivalent, should be followed.

- (D) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, 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 - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. 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.

CITY OF TENNANT, IOWA

Detailed Recommendations - Continued

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

- (E) City Council Meeting Minutes - Chapter 380.7 of the Code of Iowa requires minutes of all City Council proceedings be properly signed and Chapter 372.13(6) requires minutes be published with a summary of all receipts. Minutes tested were not properly signed or published with receipts summary.

Recommendation - The City should comply with the Code of Iowa and authorize City Council minutes with proper signature and publish minutes to include a summary of receipts, as required.

- (F) Local Option Sales Tax - The ballot authorizing the local option sales tax was not retained by the City and the determination if local option sales tax receipts were expended as required by the local ballot provisions could not be made.

Recommendation - The City should retain authorized ballots of all local option sales tax receipts to ensure disbursements are in accordance with the provisions.

- (G) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for the bank account.

Recommendation - The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (H) Disbursement Invoices - Invoices should be properly cancelled or marked "Paid" to prevent duplicate payment.

Recommendation - The City should document on each invoice that payment has been made to support the check written for disbursement and prevent duplicate payment.

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