

**CITY OF CHILLICOTHE, 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
Officials		
James Lasley	Mayor	December, 2015
John Richmond	Council Member	December, 2015
Shari Lasley	Council Member	December, 2015
David Dalbey	Council Member	December, 2015
Troy Ragen	Council Member	December, 2015
Tim Richmond	Council Member	December, 2015 (Resigned subsequent to May, 2015 and chair remains vacant)
Tim Richmond	City Clerk/Treasurer	Indefinite (beginning in June, 2015)

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

To the Honorable Mayor and
Members of the City Council
City of Chillicothe, 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 Chillicothe for the period July 1, 2014 through June 30, 2015. The City of Chillicothe'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 Chillicothe, 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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
9. 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.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. 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 Chillicothe, 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 Chillicothe and other parties to whom the City of Chillicothe 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 6, 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:

- Accounting System - performing all general accounting functions and having custody of assets.
- Cash - handling, reconciling and recording.
- Receipts - journalizing, reconciling and posting.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- Payroll - recordkeeping, preparing and distributing.
- Computer System - performing all general accounting functions and controlling all data input and output.

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

(B) **City Council Minutes** - The following were identified:

- Chapter 380.7 of the Code of Iowa requires the Clerk to authenticate all measures except motions with a signature. In the four meetings tested, none of the minutes were signed by the clerk.
- 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 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 380.7 of the Code of Iowa and ensure that the Clerk authenticates all measures except motions with a signature. In addition, the City should comply with Chapter 372.13(6) of the Code of Iowa and include total disbursements from each fund and a summary of all receipts in the City Council minutes, as required.

(C) **Bank Reconciliations** - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, there was no indication of an independent review of the bank reconciliations. In addition, the outstanding check list did not contain the date the checks were written.

Recommendation - An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations. The outstanding check listing should detail the date written in addition to the amount outstanding and check number.

Detailed Recommendations

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

- (D) **Clerk's Monthly Report** - The Clerk's report did not properly present the information by fund.

Recommendation - The City should establish procedures to ensure that the Clerk's report presents the information by fund.

- (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 - 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) **Certified Budget** - Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the culture and recreation function. 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.

- (G) **Local Option Sales Tax (LOST)** - The City did not have a copy of the most recent LOST ballot or revenue purpose statement. We were unable to determine if LOST was properly allocated.

Recommendation - The City should retain a copy of the LOST ballot and revenue purpose statement.

- (H) **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.

- (I) **Form 1099** - The City should have issued Form 1099s for calendar year 2014, but did not.

Recommendation - The City should establish procedures to ensure that Form 1099s are filed in a timely manner each year.