

**CITY OF EDGEWOOD**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD**  
**JULY 1, 2015 THROUGH JUNE 30, 2016**

**CITY OF EDGEWOOD  
EDGEWOOD, IOWA**

**TABLE OF CONTENTS**

	Page No.
Officials	1
Independent Accountant's Report on Applying Agreed-Upon Procedures	2-4
<b>Detailed Recommendations:</b>	<b>Finding</b>
Segregation of Duties	A 5
Bank Reconciliations	B 5
Separately Maintained Records	C 5
Disbursements	D 5
Payroll	E 6
Time Sheets	F 6
Official Depositories	G 6
Utility Rates	H 6

**OFFICIALS**

**(Before January 2016)**

Name -----	Title -----	Term Expires -----
Jim Stone	Mayor	December 2015
Steve Lange	Council Member	December 2017
Andrew Lange	Council Member	December 2017
Brad Perrinjaquet	Council Member	December 2015
Jill Hermann	Council Member	December 2015
Bruce Hermann	Council Member	December 2017
Cindy Vorwald	City Clerk	December 2015
Steve McCorkindale	City Attorney	December 2015

**(After January 2016)**

Jim Stone	Mayor	December 2017
Steve Lange	Council Member	December 2017
Andrew Lange	Council Member	December 2017
Brad Perrinjaquet	Council Member	December 2019
Jill Hermann	Council Member	December 2019
Bruce Hermann	Council Member	December 2017
Cindy Vorwald	City Clerk	December 2017
Steve McCorkindale	City Attorney	December 2017

1415 Locust Street  
P.O. Box 743  
Dubuque, IA 52004-0743  
Phone | 563-582-7224  
Fax | 563-582-6118

901 Spring Street  
P.O. Box 294  
Galena, IL 61036-0294  
Phone | 815-777-1880  
Fax | 815-777-3092

[www.oconnorbrooks.com](http://www.oconnorbrooks.com)

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

To the Honorable Mayor and  
Members of the 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 Earlville for the period July 1, 2015 through June 30, 2016. The City of Earlville'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 (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2016 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 for 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 non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of 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 Edgewood, 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 Edgewood and other parties to whom the City of Edgewood 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 Edgewood 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.

O'CONNOR, BROOKS & CO., P.C.

*O'Connell, Brooks & Co., P.C.*

Dubuque, Iowa  
September 15, 2016

## **DETAILED RECOMMENDATIONS**

**CITY OF EDGEWOOD  
EDGEWOOD, IOWA**

**DETAILED RECOMMENDATIONS**

**For the Period July 1, 2015 through June 30, 2016**

- 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. It was noted that two employees perform most duties over the areas of cash, receipts, disbursements, payroll, utility billing, and financial reporting for the City.

In addition, the Edgewood Volunteer Fire Department and Edgewood Emergency Medical Services, Inc. each have one individual who performs most duties over the areas of cash, receipts and disbursements.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, each entity 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 – Although monthly reconciliations of book and bank balances are prepared, there is no evidence (Initial & Date completed) of independent review by a board member.

Recommendation – To improve financial accountability and control, there should be an independent review of the monthly reconciliation of the book and bank balances with a corresponding initial and date by the individual performing the review.

- C. Separately Maintained Records - The City of Edgewood Voluntary Fire Department and Emergency Medical Service Inc. maintain separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

- D. Disbursements – While the City Council notes approval of claims in the minutes, and prepares a list detailing claims of the City, there is no evidence of independent approval on each supporting invoice.

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

**CITY OF EDGEWOOD  
EDGEWOOD, IOWA**

**DETAILED RECOMMENDATIONS**

**For the Period July 1, 2015 through June 30, 2016**

- E. Payroll – The City Clerk reviews all employees’ work hours reported for reasonableness. However the City Clerk’s hours are not reviewed by an independent person. Also, an independent person does not review new pay rates after they are entered on the computer system to make sure they match the approved rate.

Recommendation – Procedures should be established to ensure independent review of all employees hours worked. Also, an independent person should review new pay rates after they have been entered into the computer system to ensure they match the approved rate.

- F. Time Sheets – Timesheets are not reviewed and approved by supervisory personnel prior to preparation of payroll.

Recommendation – Procedures should be established to ensure timesheets are reviewed and approved by supervisory personnel prior to preparation of payroll. Supervisory review/approval should be evidenced by the supervisor’s initials and the date approved.

- G. 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.

- H. Utility Rates – The utility rates entered into the system are not reviewed and approved to ensure proper utility calculations and billing.

Recommendation – An independent individual should review and approve the utility rates periodically and when rate changes occur to ensure proper utility billings.