

**CITY OF WOODWARD, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016**

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Officials

Name	Title	Term Expires
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Elected Officials

(Before January 2016)

Brian Devick	Mayor	December 31, 2015
Paul Thompson	Council Member	December 31, 2017
David Luke	Council Member	December 31, 2015
Craig DeHoet	Council Member	December 31, 2017
Richard Hartwig	Council Member	December 31, 2017
Jesse Purvis	Council Member	December 31, 2015

Appointed Officials

Christina Perkins	City Clerk, Chief Financial Officer	Appointed every two years
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Elected Officials

(After January 2016)

Brian Devick	Mayor	December 31, 2019
Craig DeHoet	Council Member	December 31, 2017
Paul Thompson	Council Member	December 31, 2017
Todd Folkerts	Council Member	December 31, 2019
Richard Hartwig	Council Member	December 31, 2017
Dave Luke	Council Member	December 31, 2019

Appointed Officials

Christina Perkins	City Clerk, Chief Financial Officer	Appointed every two years
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HOGAN ♦ HANSEN

A Professional Corporation

Certified Public Accountants and Consultants

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

To the Honorable Mayor and
Members of the City Council
City of Woodward, 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 Woodward for the period July 1, 2015 through June 30, 2016. The City of Woodward'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 (CFC) 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, 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 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 Woodward, additional matters might have come to our attention that would have been reported to you.

To the Honorable Mayor and
Members of the City Council
City of Woodward, Iowa
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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 Woodward and other parties to whom the City of Woodward may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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Algona, Iowa
November 2, 2016

Detailed Recommendations

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. Generally, one individual has control over each of the following areas for the City:

- (1) Accounting system - performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Cash - handling, reconciling and recording.
- (3) Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) Journal entries - preparing and journalizing.
- (7) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (8) Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.
- (9) Computer system - performing all general accounting functions and controlling all data input and output.
- (10) Financial reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with the 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 and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) **Certified Budget** - Disbursements in the Health and Social Services and General Government functions exceeded the amounts budgeted before being amended but were within the amount budgeted at year end. 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 be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

(C) **City Council Minutes** - Chapter 372.13(6) of the Code of Iowa requires that the publication of City Council minutes include total disbursements by fund. Two of the four monthly minutes reviewed did not include total disbursements for each fund.

Recommendation - The City should comply with the Code of Iowa and ensure that the minutes contain total disbursements by fund. Prior to issuing this report, the City told us it had corrected this issue in December, 2015 and is currently in compliance with the Code of Iowa.

Detailed Recommendations

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

- (D) **Journal Entries** - While City personnel represented that journal entries were reviewed and approved by an independent individual, no written documentation was made of the review and approval.

Recommendation - Review and approval of journal entries should be documented by signing or initialing and dating journal entries.

- (E) **Payroll** - During our testing, we found where overtime for City employees was being paid for hours over eight hours a day instead of over 40 hours a week. Compensation time, holiday, vacation and sick time was also being used in the overtime calculations. At the time of these payrolls, the City had no written policy supporting this.

Recommendation - Overtime generally should be calculated for City employees as time worked over 40 hours per week and those hours should not include paid time off, such as holiday, vacation and sick time. The City informed us that it adopted Resolution 2015-31 on December 14, 2015, stating that "All non-union employees that are not law enforcement personnel will be paid overtime at a rate of one and one-half times the employee's regular rate of pay for all hours in pay status in excess of eight hours per day or 40 hours per week." The City is currently following this policy, and the adoption of this resolution resolves this matter.

- (F) **Questionable Disbursements** - During the year, \$362 was disbursed for a City employee Christmas party and \$5,000 was donated to the privately owned Woodward Golf Club to help cover swimming pool expenses. These disbursements may not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If these practices are continued, the City should establish written policies and procedures, including the requirements for proper public purpose documentation.