

CITY OF BRANDON
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016

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City of Brandon

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Guy Stacy	Mayor	Jan 2018
Travis Cornwell	Council Member	Jan 2020
Denis Halligan	Council Member	Jan 2020
Patrick Lehman	Council Member	Jan 2020
Kelly Thomas	Council Member	Jan 2020
Anna Demuth	Council Member	Nov 2017
Danette Lujan	City Clerk	Indefinite

City of Brandon

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 Brandon for the twelve month period April 1, 2015 through March 31, 2016. The City of Brandon'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 2015 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 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 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.
10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. 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.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 Brandon, 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 Brandon and other parties to whom the City of Brandon 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 Brandon 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.

Community CPA

Community CPA & Associates Inc

July 17, 2016

Detailed Recommendations

City of Brandon
Detailed Recommendations
For the period April 1, 2015 through March 31, 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) 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 evidenced by the signature or initials of the reviewer and the date of the review.

(B) Fund Accounting - The City uses Datatech Solutions for bookkeeping and reports generated do not show balances by fund. Also, the City Clerk's monthly reports presented to the City Council do not show summaries of receipts and disbursements for the period and do not compare approved budgets to actual receipts and disbursements.

Recommendation – The City should implement fund accounting to emphasize accountability rather than profitability and to comply with Governmental Accounting Standards. Also, City Clerk's reports presented to the City Council should show the opening balance for each fund, receipts and disbursements for the period, period end fund balance and the total balance for all funds. It should also compare the fund activity to the approved budget.

City of Brandon
Detailed Recommendations
For the period April 1, 2015 through March 31, 2016

- (C) Annual Financial Report – We noted the following unreconciled differences between the FY15 Published Annual Financial Report (“AFR”) and the City’s general ledger.

<u>Description</u>	<u>General Ledger</u>	<u>AFR</u>	<u>Difference</u>
Total Revenues	\$245,646.55	\$254,693.00	(\$9,046.45)
Total Expenditures	\$196,335.64	\$195,959.00	\$376.64
Excess of Rev/Exp	\$49,310.91	\$58,734.00	(\$9,423.09)
Fund Bal 6/30/15	\$498,870.00	\$499,925.00	(1,055.00)

Recommendation – Differences between AFR and the general ledger should be reconciled and approved by a qualified City official on a timely basis. Also, the AFR should be reviewed and approved by a qualified City official before being published.

- (D) Deposit and Investment – The City has not adopted a written investment policy that complies with the provisions of Chapter 12B.10B of the Iowa Code. In addition, a resolution naming official depositories for deposits and investments has not been adopted by the City Council as required by Iowa Code section 12C.2.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. Also, the City Council should approve, by resolution, amounts sufficient to cover anticipated balances at all approved depositories as required by Iowa Code section 12C.2.

- (E) Investments Reconciliation – Investments in the form of Certificates of Deposit are not reconciled on a periodic basis. A direct confirmation of investments (Security State CD #038285) revealed the following discrepancies relating to unrecorded accrued interests:

	<u>General Ledger</u>	<u>Direct Confirmation</u>	<u>Difference</u>
As of December 30, 2015	\$131,997.86	\$133,443.91	\$1,446.05
As of March 31, 2016	\$131,997.86	\$133,510.81	\$1,512.95

Recommendation –All bank and cash accounts should be reconciled on a monthly basis, and any differences should be properly accounted for. These reconciliation statements should be reviewed and signed off by an independent qualified City official. Also, the City should implement procedures to ensure that earnings on City investments are accurately and completely accounted for on a monthly basis.

City of Brandon
Detailed Recommendations
For the period April 1, 2015 through March 31, 2016

- (F) Accounting/Register for Investments – The City’s investments are in Certificates of Deposit totaling \$133,510 as of March 31, 2016. There is no accounting record or register for the investment, including cost, description, date purchased, interest rate, maturity date and identifying number as recommended.

Recommendation – A register should be maintained for all investments showing the cost, the description, the date the investment is purchased, the interest rate, maturity date and identifying number.

- (G) Bank Reconciliation Statements – Bank reconciliation statements are prepared on a monthly basis and included in the City Clerk’s monthly reports which reviewed by the City Council. There is no independent review of the bank reconciliation.

Recommendation – The City should implement procedures to ensure bank reconciliation statements prepared by the City Clerk are reviewed, dated and signed-off by a qualified City official.

- (H) Petty Cash - The City would normally expense petty cash reimbursements to postage expenditures, and use the money as needed for petty postage and other miscellaneous expenses until fully expended. Our procedures however noted that the petty cash balance is not reconciled on a periodic basis.

Recommendation – Petty cash balances should be reconciled and documented on a monthly basis.

- (I) Reconciliation of Enterprise Revenues (Water and Sewer) – The City does not perform a reconciliation of Enterprise Revenues on a periodic basis. Errors and misstatements on these account balances would remain undetected. We performed analytical procedures over Enterprise Revenues and no material differences were identified.

Recommendation – Each fund balance should be reconciled monthly. The reconciliation should be reviewed by a qualified City official and documented by the signature or initials of the reviewer and the date of the review.

- (J) Accounting Transactions - Although City financial reports are presented and approved on a monthly basis by the City Council, there is no detailed level review of accounting entries made by the City clerk.

Recommendation: An independent qualified City staff should systematically review and approve accounting transactions, journal entries and bank reconciliation statements prepared by the City Clerk to ensure accuracy and completeness of financial transactions.

City of Brandon
Detailed Recommendations
For the period April 1, 2015 through March 31, 2016

- (K) Surety Bond for City Officials - There is no surety bond for City official. Chapter 64.1A of the Code of Iowa requires bonding of public officials including the City Mayor and Clerk, except as otherwise specially provided.

Recommendation: The City should comply with Chapters 64.1A and 64.2 of the code of Iowa on bonding of public officials.

- (L) Payroll – The City did not maintain employees’ timesheets for the pay period ended March 26, 2016. We could not confirm accuracy and approval of actual hours worked.

Recommendation – Adequate filing of payroll records is required. All accounting information including supporting statements should be adequately filed and retained in accordance with requirements of the Record Retention Manual for Iowa Cities.