

CITY OF QUASQUETON
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 Quasqueton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chad Staton	Mayor	Dec 2017
Shelia Payne	Council Member	Dec 2019
Terry Kress	Council Member	Dec 2019
Bill Kress	Council Member	Dec 2019
Ben Stanford	Council Member	Dec 2017
Jeff Werling	Council Member	Dec 2017
Anita Arnold	City Clerk	Indefinite

City of Quasqueton

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 Quasqueton for the period April 1, 2015 through March 31, 2016. The City of Quasqueton'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 Iowa Code 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 Quasqueton, 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 Quasqueton and other parties to whom the City of Quasqueton 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 Quasqueton 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 7, 2016

Detailed Recommendations

City of Quasqueton
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:
- Cash - handling, reconciling and recording.
 - Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
 - Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - Payroll – recordkeeping, preparing and distributing.
 - Utilities – billing, collecting, depositing and posting.
 - Financial reporting – preparing and reconciling.
 - 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) Chart of Accounts – The City has not fully implemented the recommended Unified Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on July 8, 2015.

Recommendation – The City should follow the COA approved by the City Finance Committee for better financial information and control.

- (C) Fund Accounting: The City’s monthly reports presented to the City Council are not presented by fund showing opening balances, receipts, disbursements and ending balances.

Recommendation – The City should implement fund accounting to emphasize accountability rather than profitability and to comply with Governmental Accounting Standards.

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

- (D) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- Aid in training additional or replacement staff;
- Help achieve uniformity in accounting and in the application of policies and procedures;
- Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises; and
- Ensure that detailed records and journal entries are reviewed and approved by a qualified City official.

- (E) Investments – The City has not adopted a written investment policy as required by Iowa Code section 12B.10B.

Recommendation – The City should adopt a written investment policy which complies with Iowa Code section 12B.10B.

- (F) Annual Financial Report – We noted the reporting 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>
Beginning Fund Bal.	\$416,344.63	\$252,109.00	\$164,235.63
Ending Fund Bal.	\$399,771.52	\$231,298.00	\$168,473.52

These differences result from netting of revenues and expenditures in certain accounts which have created significant unreconciled differences in Beginning and Ending Fund Balances between these reports. Also, the AFR is not reviewed and approved by a qualified City official before being published. We note that the ending general ledger balance reconciles to cash balance.

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

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

- (G) Financial Condition - For fiscal year 2015 ended June 30, 2015, the City's total fund balance was in deficit (\$20,811 per the AFR and \$16,461 per general ledger).

Recommendation – The City should investigate alternatives to eliminate these deficits to return the fund to a sound financial condition.

- (H) Expense Report – There is an unreconciled difference of \$55,146 in total disbursements between expenses in the Profit & Loss report and the disbursements ledger for the twelve month period April 1, 2015 through March 31, 2016. Total expenses in the Profit & Loss report are \$498,066 whereas the expenses in the disbursements ledger are \$442,921.

Recommendation – Expenses in the Profit & Loss report should agree to the disbursements ledger. Any differences between these two reports should be reconciled and adequately documented.

- (I) Reconciliation of Enterprise Revenues (Water, Sewer and Garbage) – The City does not reconcile enterprise revenues on a periodic basis. Errors and misstatements on these account balances would remain undetected.

Recommendation – Each fund balance should be subject to monthly reconciliation. The reconciliation should be reviewed by a qualified City Official and approved at the monthly Council meetings.

- (J) Certified Budget – Receipts and Disbursements for the year ended June 30, 2015 exceeded the amounts budgeted in property taxes, intergovernmental receipts, fees and services, miscellaneous receipts, public works and culture and recreation functions. Iowa Code section 384.20 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 Iowa Code section 384.18 before disbursements were allowed to exceed the budget.

- (K) Miscellaneous Revenues – During fiscal year 2015, the City received miscellaneous donations in cash for various projects totaling \$23,977. Although receipts such as those for the LED sign posts were published in the local newspaper, the City does not have adequate control processes to ensure that funds received are accounted for completely and accurately.

Recommendation – The City should establish procedures and control mechanisms to ensure that all unbudgeted receipts of property and cash are completely and accurately accounted for.

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

- (L) Electronic Check Retention – Iowa Code section 554D.114 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 check images from the bank.

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