

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

TABLE OF CONTENTS

Officials	3
Independent Accountant's Report on Applying Agreed-Upon Procedures	5
Detailed Recommendations	7
(A) Segregation of Duties	8
(B) Fund Accounting	8
(C) Bank Reconciliations	8
(D) Accounting Policies and Procedures Manual	9
(E) City Budgets	9
(F) Financial Condition	9
(G) Annual Financial Report	10
(H) Interfund Transfers	10
(I) Reconciliation of Petty Cash	10
(J) Payroll	10
(K) Disbursements	10
(L) Reconciliation of Enterprise Revenues (Water, Sewer and Garbage)	11
(M) Long Term Debt Reconciliation	11

City of Ryan

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Corcoran	Mayor	Dec 2019
Delores Kolka	Council Member	Dec 2017
Wade Feldmann	Council Member	Dec 2017
Maria Gaffney	Council Member	Dec 2017
Joy Jager	Council Member	Dec 2019
Bradley Woods	Council Member	Dec 2019
Natalie Tucker	City Clerk	Indefinite

City of Ryan

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 Ryan for the period April 1, 2015 through March 31, 2016. The City of Ryan'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 Ryan, 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 Ryan and other parties to whom the City of Ryan 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 Ryan 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 21, 2016

Detailed Recommendations

City of Ryan
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.
- Long-term debt – recording and reconciling

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 and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review

(B) Fund Accounting - The City has implemented fund accounting. However, City Clerk monthly reports to the City Council are by function rather than by fund. There is no evidence that the City Council reviews each fund balance and interfund transfers.

Recommendation – The City Clerk’s reports 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.

(C) Bank Reconciliations –There is no independent review of the bank reconciliation statements by a qualified City official. Errors and misstatements on the bank balance may remain undetected. We reviewed bank reconciliation statements for June and December 2015 and no exceptions were noted.

Recommendation – To ensure proper review of bank reconciliation statements by the City Council, supporting statements for review of all bank reconciliation statements including a detailed list of reconciling items as of the statement end date, should be maintained and

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

presented to the Council for review. Also, the City should ensure all bank reconciliation statements are reviewed, signed and dated by a qualified City official.

- (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) City Budgets - City budgets are prepared annually prior to the start of the new fiscal year. Budgets are then compared to year-to-date balances each month. Noted that for the year ended June 30, 2015 (“FY15”), there were significant discrepancies between the budget and realizations.

<u>Description</u>	<u>FY15 Budget</u>	<u>FY15 YTD Actual</u>	<u>Difference</u>
Total Revenues	\$577,113	\$765,684	(\$188,571)
Total Expenditures	\$911,554	\$766,403	\$145,151

Recommendation – Code of Iowa Section 384.16 provides details on the budgeting process and should be complied with.

- (F) Financial Condition - For fiscal year 2015 ended June 30, 2015, the Special Revenues, Debt Service Fund, Proprietary Fund had deficit balances of (\$3,286.86), (\$1,298.58), (\$20,298.25), respectively. Also, there is no evidence that the City Council reviewed and approved the deficits.

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. In addition, the City should investigate alternatives to eliminate the deficit fund balances in order to return the funds to a sound financial condition.

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

- (G) Annual Financial Report (“AFR”) – There is a difference of \$708 between the ending fund balance reported on fiscal year 2014 AFR (\$256,420) and the beginning fund balance on fiscal year 2015 AFR (\$257,128). Beginning fund balance reported on the AFR should agree with the ending fund balance reported on the prior year AFR.

Recommendation – The City should establish procedures to ensure AFR is reviewed and approved by a qualified City official before being published.

- (H) Interfund Transfers – There are significant interfund activities during the examination period. City Council approved the interfund transfers as documented in the minutes, but there is no evidence that the City Council approved the amounts of the transfers.

Recommendation –The City Clerk should present the dates, descriptions and amounts of the interfund transfers to City Council to approve and document in the minutes.

- (I) Reconciliation of Petty Cash – Petty cash funds on hand were not maintained on an imprest basis.

Recommendation – Cash funds should be maintained on an imprest basis to provide additional control over these funds. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits.

- (J) Payroll – Our review of the payroll process revealed as follows:

- Timesheets did not include evidence of supervisory review. Errors and misstatements of timesheets may remain undetected.
- Increases in staff wages are in percentage terms rather than dollar terms.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll. Also, all wage increases should be presented and approved in US dollar amounts rather than percentage terms in order to avoid any implementation errors.

- (K) Disbursements – Our review of disbursements revealed as follows:

- Disbursement issued to News Publishing CO. on September 16, 2015 does not agree to detailed supporting documents. The check amount is \$212.76 while total amount per supporting documents is \$187.62.
- Disbursements to the Delaware County Sheriff in May 2015 and to Keith Deaver in July 2015 were not approved by Council for payments.

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

Recommendation – The City should establish procedures to ensure all disbursements are reviewed and approved by the City Council before disbursements are issued.

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

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

- (M) Long Term Debt Reconciliation – As of March 31, 2016, the City has Long Term Debts outstanding of \$819,722. These debts are not reconciled on a periodic basis.

Recommendation – Long Term Debts should be reconciled on a monthly basis. The Long Term Debts/Loan Reconciliation Report should at least have the following information:

- The Loan Date;
- The Loan Description;
- The Loan Principal Amount;
- The Current Period beginning balance of the Loan;
- The Loan Payments (on Loan Principal) in the current period;
- The Ending Loan balance; and
- The Interest Payment in current period.

The above information should always agree to the loan principal (unless the loan covenant has not been respected). A qualified City official should review the Loan Reconciliation Report on a monthly basis.