

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

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Officials

Name	Title	Term Expires
Officials		
Lou Schafer	Mayor	December, 2017
Ron Reece	Council Member	December, 2017
Chris Renihan	Council Member	December, 2017
Terry Beare	Council Member	December, 2019
Jim Martin	Council Member	December, 2017
Janine Allbee	Council Member	December, 2019
Cathy Diedrich	City Clerk/Treasurer	Indefinite

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

To the Honorable Mayor and
Members of the City Council
City of New Providence, 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 New Providence for the period April 1, 2015 through March 31, 2016. The City of New Providence'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 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 (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code 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 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 CFC recommended chart of accounts.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts 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 noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of New Providence, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of New Providence, 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 New Providence and other parties to whom the City of New Providence may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Traer, Iowa
June 23, 2016

Detailed Recommendations

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:

- Accounting system - performing all general accounting functions, including journal entries, and having custody of assets.
- Cash - handling, reconciling and recording.
- Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- Debt - recordkeeping, compliance and debt payment processing.
- Journal entries - preparing and journalizing.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.
- Computer system - performing all general accounting functions and controlling all data input and output.
- Financial reporting - preparing 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) **Bank Reconciliations** - Although monthly bank reconciliations were prepared for individual accounts, they were not always reviewed by an independent person. Also, a complete reconciliation including investments was not done.

Recommendation - To improve financial accountability and control, monthly bank reconciliations, including investments, should be performed and variances between book and bank balances should be investigated and resolved timely. In addition, the reconciliation should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review.

Detailed Recommendations

For the Period April 1, 2015 through March 31, 2016

- (C) **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.

- (D) **Investment Policy** - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (E) **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:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

- (F) **City Council Minutes** - Chapter 21.3 of the Code of Iowa requires minutes of all City Council proceedings include information sufficient to indicate the vote of each member present. For the minutes tested, the information only included the council member that made the motion and the member that seconded the motion.

Recommendation - The City should comply with the Code of Iowa and include the vote of each council member present.

- (G) **Chart of Accounts** - The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation - To provide better financial information and control, the COA, or its equivalent, should be followed for all transactions, including debt service payments.

- (H) **Section 148** - The City does not have written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code as it relates to debt obligations.

Recommendation - The City should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code.

Detailed Recommendations

For the Period April 1, 2015 through March 31, 2016

- (I) **Management Financial Information** - The Clerk's financial reports to the City Council included cash and investment balances, year-to-date receipts and disbursements, and comparisons to the certified budget by function, but did not include a summary of beginning balance, receipts, disbursements, transfers and ending balance by fund. Additionally, for the month tested, the Clerk's financial reports showed a budgeted amount that did not agree with the City's certified budget.

Recommendation - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the monthly reports should include the beginning balance, receipts, disbursements, transfers (if any) and ending balance for each fund.

- (J) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** - Utility billings, collections and delinquent accounts were not reconciled throughout the year. For the month tested, two council members paid their bill late and were not charged a late fee.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. Late fees should be charged on all delinquent accounts, including those of City Council members.

- (K) **Prenumbered Receipts** - Prenumbered receipts were not issued for all revenue collections and an initial listing of collections was not prepared.

Recommendation - Prenumbered receipts should be issued for all revenue collections and an initial listing of revenue collections should be prepared. These revenue collections should be compared to the bank deposit and the accounting records by an independent person, and the evidence of the review should be documented.

- (L) **Receipt to Deposit Reconciliation** - For the month ended March 31, 2016, the City could not reconcile between deposits shown on the bank statement and cash receipts recorded in the general ledger.

Recommendation - The City should reconcile the amount of deposits shown on the bank statement to the cash receipts recorded in the general ledger and investigate any differences to determine if errors were made in the recording process.

- (M) **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check. The City does not receive an image of the back of each canceled check.

Recommendation - The City should obtain and retain images of both the front and back of canceled checks as required by Chapter 554D.114 of the Code of Iowa.

Detailed Recommendations

For the Period April 1, 2015 through March 31, 2016

- (N) **Certified Budget** - As of March 31, 2016, disbursements during the year ending June 30, 2016 exceeded the amounts budgeted in the public works, culture and recreation and general government functions before the budget could be amended. 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 have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (O) **Annual Financial Report** - Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's Annual Financial Report reported receipts, disbursements and fund balances which did not agree with the City's general ledger.

Recommendation - The City should ensure future Annual Financial Reports agree with the City's general ledger.

- (P) **Disbursements** - Invoices and other supporting documentation were not always available to support disbursements. We tested 30 disbursements and supporting documentation for 3 disbursements could not be located.

Recommendation - All disbursements should be supported by invoices or other supporting documentation.

- (Q) **Payroll** - Hourly employees are required to complete time cards. The City Council approves all pay increases. The following were identified:

(1) Although time cards are maintained for hourly employees, for the months tested, there was no indication that the time cards had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.

(2) Annual salary increases for all City employees were approved as a percentage increase and the actual approved wage rates were not documented in the City Council minutes.

Recommendation - Time cards should be reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review. Approved salaries and/or hourly pay rates of employees should be documented annually in the City Council minutes.