

CITY OF CUMBERLAND, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2016 THROUGH JUNE 30, 2017

CITY OF CUMBERLAND, IOWA
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CITY OF CUMBERLAND, IOWA
OFFICIALS
June 30, 2017

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Nancy Coughlin	Mayor	January, 2016	January, 2020
Gary Cooper	Council Member	January, 2014	January, 2018
Sandra Eversole	Council Member	January, 2016	January, 2020
Michael Martin	Council Member	January, 2014	January, 2018
Terri Clinton-Reinke (Appointed February, 2017)	Council Member	February, 2017	January, 2018
Scott Becker	Council Member	January, 2016	January, 2020
Catherine Landstreet-Howard (Resigned December, 2016)	Council Member	January, 2014	
Grace Thomsen	City Clerk/Treasurer		Indefinite
J.C. VanGinkel	City Attorney		Indefinite

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INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of 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 Cumberland for the period July 1, 2016 through June 30, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Cumberland's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and 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.

To the Honorable Mayor
and Members of City Council

6. We reviewed the City's fiscal year 2017 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/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.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

Gene Wald, CPA, Ryan & Co. P.C.

Atlantic, Iowa
December 11, 2017

DETAILED RECOMMENDATIONS

CITY OF CUMBERLAND, IOWA

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (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, recording, 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 recording.

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 documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations - The bank reconciliations were prepared by the City Clerk, however the approval and review of the reconciliations were not documented and a listing of outstanding checks was not prepared.

Recommendation - An independent person on the City Council should document the review of the bank reconciliations by signing or initialing and dating the monthly reconciliations and a listing of outstanding checks should be maintained.

- (C) Deposits and Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, 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 - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (D) Certified Budget - Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the public safety, culture and recreation, general government and business type activities functions. 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.

CITY OF CUMBERLAND, IOWA

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly. In addition, two of the City's officials had past due balances of approximately three months and ten months.

Recommendation - A listing of delinquent accounts should be prepared monthly. 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. The review should be documented by the signature or initials of the reviewer and the date of the review. Accounts of City Officials should be monitored to ensure all activity is properly recorded and no preferential treatment is given.

- (F) Financial Condition - The City had deficit balances at June 30, 2017, as follows:

<u>Fund</u>	<u>Amount</u>
Street Lights	\$ 7,356
Streets	37,535
Garbage	1,517
Park	5,441
Water Debt	35,915
Sewer	1,155
Library	7,189
Library Trust	659
Community Center	9,055
Fire	29,424
Police	3,930
Ambulance	1,532
Cemetery	900
Economic Development	4,192

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

- (G) Approval of Invoices - The City does not document the review and approval of invoices to be paid or mark them as "Paid." In addition, several invoices supporting selected disbursements could not be located.

Recommendation - The City should document the review and approval of invoices to be paid by initialing and dating the invoice, and mark each invoice as "Paid" to prevent duplicate payment. All invoices should be retained by the City to support the disbursements made.

CITY OF CUMBERLAND, IOWA

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (H) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa 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 an image of the back of each cancelled check for its bank checking account.

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

- (I) Separately Maintained Records - The City of Cumberland Library maintains separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

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