

CITY OF ST DONATUS
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2016 THROUGH JUNE 30, 2017

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City of St. Donatus

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jim Roling	Mayor	1/1/2016	1/1/2018
Ron Hilkin	Council Member	1/1/2014	1/1/2019
William Hingtgen	Council Member	1/1/2014	1/1/2019
Helen Kalmes	Council Member	1/1/2014	1/1/2019
Tricia Ploessl	Council Member	1/1/2014	1/1/2019
Doug Templeton	Council Member	1/1/2014	1/1/2019
Jennifer Griffin	City Clerk		Indefinite

City of St. Donatus

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 St. Donatus 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 St. Donatus' 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 2016 Annual Financial Report 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 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.

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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of St. Donatus 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.

September 25, 2017

Detailed Recommendations

City of St. Donatus
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, 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) Chart of Accounts – The City has not implemented the recommended Unified Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on July 8, 2015, as certain account codes do not correspond with the Unified Chart of Accounts and fund accounting is not maintained.

Recommendation – The City should follow the COA for Iowa City Governments approved by the City Finance Committee on July 8, 2015 for better financial information and control.

(C) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual. Also, the City does not have an organizational chart that clearly identifies roles and reporting channels within the City.

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.
- 4) Ensure that detailed records and journal entries are reviewed and approved by a qualified City official.
- 5) The City should develop and maintain an organizational chart showing roles and reporting channels within the City.

City of St. Donatus
Detailed Recommendations
For the period July 1, 2016 through June 30, 2017

- (D) Investments – The City has not adopted a written investment policy as required by Iowa Code section 12B.10B. In addition, resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa, and there was no motion in City Council minutes to open the Certificates of Deposit account (opened in June 2017) with American Trust Bank.

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.

- (E) Accounting/Register for Investments – At June 30, 2017, the City had investments in Certificates of Deposit (CD) amounting to \$20,051.00. There is no accounting record or register for the investments, including cost, description, date purchased, interest rate, maturity date and identifying number as recommended. Also, the investments balance is not systematically reported to the City Council on a monthly basis.

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. The CD balance should be systematically monitored and presented to the City Council on a monthly basis.

- (F) Bank Reconciliation Statements – Bank reconciliation statements are not reviewed, initialed and dated by an independent qualified City official. We noted the following difference on the bank reconciliation statements, not investigated and corrected:

<u>Month</u>	<u>Account Name</u>	<u>GL Bal. Per Reconciliation (\$)</u>	<u>GL Bal. per GL (\$)</u>	<u>Difference (\$)</u>
Dec-16	American Trust – GF	48,871.81	43,974.80	4,897.01
Jun-17	American Trust – GF	58,346.26	49,122.72	9,223.54
Dec-16	American Trust – Recycle	7,589.93	7,839.93	(250.00)
Jun-17	American Trust – Recycle	6,672.93	7,353.93	(681.00)
Dec-16	American Trust – RUT	21,353.27	22,051.65	(698.38)
Jun-17	American Trust – RUT	22,433.76	24,076.76	(1,643.00)

The absence of a detailed review of bank reconciliation statements by an independent qualified City official different from the preparer, may result to errors and misstatements on bank reconciliation statements remaining undetected, therefore defeating the purpose of the reconciliation process.

Recommendation – Bank reconciliation statements should be systematically reviewed by an independent qualified City official different from the preparer. This review should be materialized by the signature of the reviewer and date of review. Any differences on bank reconciliation statements should be investigated and corrected on a timely basis.

City of St. Donatus
Detailed Recommendations
For the period July 1, 2016 through June 30, 2017

- (G) Reconciliation of Cash to Fund Balance – The City does not systematically reconcile cash to fund balances by fund and in total. Although we could not reperform the reconciliation by fund, for lack of fund accounting within the City, we reconciled cash (including investments) to total accounting balance and noted the following differences:

<u>Month</u>	<u>Total Fund Balance (\$)</u>	<u>Total Cash Balance (\$)</u>	<u>Difference (\$)</u>
June 30, 2016 (AFR)	151,139.00	156,780.00	(5,641.00)

Recommendation – A cash to fund balance reconciliation should be systematically performed on a monthly basis. This would serve as a check to ascertain accounting and bank balances. The reconciliation should be systematically reviewed by an independent qualified City official separate from the preparer, and materialized by the signature of the reviewer and date of review. Any differences on reconciliation should be investigated and corrected.

- (H) Detailed Reconciling Items for Bank Reconciliation Not Maintained – The City does not systematically print and retain details of reconciling items (including outstanding checks and unrecorded deposit) for review of bank reconciliation.

Recommendation – Supporting details of bank reconciliation should be systematically printed and presented to an independent qualified City official separate from the preparer for review and approval. The review should be materialized by the reviewer’s signature, dated and filed accordingly.

- (I) Payroll – We reviewed payroll and noted the following controls weaknesses:
- 1) No evidence of annual review of staff payroll.
 - 2) Timesheets and payroll processing not systematically reviewed and signed by an independent qualified City official.
 - 3) Payments to City officials are not systematically supported. We however agreed City officials’ pay for October 2016 and April 2017 and did not identify any discrepancies. Also noted that payroll is approved by City Council on a monthly basis.

Recommendation – The City Council should systematically review staff pay on an annual basis and document evidence of that discussion. Also, City officials as well as all other staff payroll should be adequately supported and documented.

- (J) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting.
- 1) There is no evidence that minutes were posted within fifteen days of the meeting.
 - 2) Minutes do not include a summary of ordinances or amendments adopted.

Recommendation – We recommend as follows:

- 1) The City should maintain evidence of compliance with Code of Iowa Chapter 372.13(6) requiring City Council minutes to be published within fifteen days of the meeting, as required.
- 2) Minutes should include all required information.

City of St. Donatus
Detailed Recommendations
For the period July 1, 2016 through June 30, 2017

- (K) Inadequate Monitoring of Long-term Debt – The City has a State Revolving Fund loan with a balance of \$26,951.50 at June 30, 2017. The City does not have the loan agreement, and there is no record or evidence of monitoring of this debt by the City as neither a loan statement nor a loan report is presented to the City Council on a periodic basis and as of the fiscal year end. Also, the City does not have a written loan policy.

Recommendation – The City should maintain proper records of long-term debts. It should obtain a copy of the debt agreement and systematically reconcile the balance per its amortization schedule to debt settlements. Also, it should implement written loan policies, and details of the loan, including the initial amount, the date of issuance, the interest rate, the loan balance and interest accrued should be included in the Clerk’s report reviewed by the City Council on a monthly basis.

- (L) No Written Procedures Over Long-term Debt – The City does not have written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Federal Internal Revenue Service Rules.

Recommendation – The City should maintain written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Federal Internal Revenue Service Rules.

- (M) Financial Condition – Per its FY16 Annual Financial Report ended June 30, 2016, Governmental Fund expenditures exceed its revenues by \$9,733.00. The Governmental Fund balance is however positive by \$123,432.00.

Recommendation – The City should investigate alternatives to eliminate operating deficits to maintain the Fund balance in a sound financial condition.

- (N) 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 only receives the front of check images with bank statements.

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.

- (O) Surety Bond for City Officials - There is no surety bond for City official. Chapter 64.1A and 64.2 of the Code of Iowa requires bonding of public officials including the City Mayor and Clerk.

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