



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____ June 2, 2015 _____ Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Gilman, Iowa for the period September 1, 2013 through August 31, 2014. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible and develop procedures to ensure utility reconciliations are performed and bank and utility reconciliations are reviewed. The City should also comply with Code of Iowa requirements for the disposition of excess funds in the Special Revenue, Tax Increment Financing Fund.

A copy of the agreed-upon procedures report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1422-0606-EPOP.pdf>.

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CITY OF GILMAN

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
SEPTEMBER 1, 2013 THROUGH AUGUST 31, 2014

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City of Gilman

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Eldon Stanley	Mayor	Jan 2016
Sondra Huseboe	Council Member	Jan 2014
Marilyn Patterson	Council Member	Jan 2014
John Frohwein	Council Member	Jan 2016
Richard Irish	Council Member	Jan 2016
Les Meyers	Council Member	Jan 2016
Helen Reed	City Clerk	Indefinite
<u>(After January 2014)</u>		
Eldon Stanley	Mayor	Jan 2016
John Frohwein	Council Member	Jan 2016
Richard Irish	Council Member	Jan 2016
Les Meyers	Council Member	Jan 2016
Sheila Beach	Council Member	Jan 2018
Melinda Bennett	Council Member	Jan 2018
Karen Buchanan	City Clerk	Indefinite

City of Gilman



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Mary Mosiman, CPA
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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 Gilman for the period of September 1, 2013 through August 31, 2014. The City of Gilman'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 2014 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 and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
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 audit of the operations of the City of Gilman, 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 Gilman, 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 Gilman and other parties to whom the City of Gilman 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 Gilman during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 10, 2014

Detailed Recommendations

City of Gilman

Detailed Recommendations

For the period September 1, 2013 through August 31, 2014

(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) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (7) 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 should be documented by the signature or initials of the reviewer and the date of the review.

(B) Bank Reconciliations – No independent review of the bank reconciliations was performed.

Recommendation – An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

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, document the review by signing or initialing and dating the reconciliations and monitor delinquent accounts.

(D) Tax Increment Financing – The City had a cash balance of \$37,408 in the Special Revenue, Tax Increment Financing Fund (TIF Fund) at August 31, 2014. However, the City had no outstanding TIF obligations. Chapter 24.21 of the Code of Iowa requires, when the necessity for maintaining the TIF Fund ceases to exist, the excess balance remaining in the fund, if any, be remitted to the County Treasurer and allocated to the respective taxing districts.

Recommendation – The City should consult legal counsel to determine the disposition of the excess monies in the Special Revenue, Tax Increment Financing Fund. If the City has no further tax increment financing debt, the \$37,408 should be remitted to the County Treasurer in accordance with Chapter 24.21 of the Code of Iowa.

City of Gilman

Detailed Recommendations

For the period September 1, 2013 through August 31, 2014

- (E) City Clerk's Monthly Report – Although a monthly City Clerk's report was prepared, the report was not provided to the City Council for review.

Recommendation – To improve financial accountability, the City Clerk's Monthly Report should be submitted to the City Council for review at each monthly meeting.

- (F) Financial Reporting – Although the total balance in the City's computer system at August 31, 2014 agrees with the manually prepared City Clerk's report, the balances by individual fund do not agree. The City has indicated certain adjustments are needed to correct the balances in the computer system, but was unable to provide supporting documentation for the adjustments.

Recommendation – The City should ensure the fund balances maintained in the City Clerk's report and the computer system agree. The City should document the purpose of each adjustment and the adjustments and supporting documentation should be provided to the City Council for review and approval prior to making adjustments to the City's computer system.

- (G) 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.

- (H) Petty Cash – The petty cash fund on hand at City Hall was 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.

- (I) Intergovernmental Receipts – In January 2014, the local option sales tax payment was incorrectly recorded as a road use tax receipt and the road use tax payment was incorrectly recorded as a local option sales tax receipt, resulting in a \$96 posting error.

Recommendation – The City should establish procedures to ensure receipts are recorded in the appropriate fund and account. The City should transfer \$96 from the Special Revenue, Road Use Tax Fund to the General Fund to correct the error.

- (J) Timesheets – Timesheets were not always prepared for all employees. Also, timesheets are not reviewed and approved by supervisory personnel prior to preparation of payroll.

Recommendation – Timesheets should be prepared for all employees and procedures should be established to ensure timesheets are reviewed and approved by supervisory personnel prior to preparation of payroll. Supervisory review and approval should be documented by the supervisor's initials and the date approved.

City of Gilman

Detailed Recommendations

For the period September 1, 2013 through August 31, 2014

- (K) Bank Signature Card – The bank signature card included a former employee as an authorized check signer for one bank account.

Recommendation – The City should ensure the bank signature card is updated timely.

- (L) 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.

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

- (M) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding checks held for more than two years to the Office of Treasurer of State.

Recommendation – Outstanding checks should be reviewed annually and checks over two years old should be remitted to the Office of Treasurer of State annually, as required.

- (N) Annual Urban Renewal Report – The City reported a beginning and ending balance in the Special Revenue, Tax Increment Financing Fund of zero on the Levy Authority Summary, which does not agree with the City's general ledger balance of \$37,408.

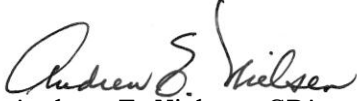
Recommendation – The City should ensure the cash balances reported on the Levy Authority Summary agree with the City's records.

City of Gilman

Staff

This agreed-upon procedures engagement was performed by:

Donna F. Kruger, CPA, Manager
Megan E. Irvin, Staff Auditor
Matt C. Hickenbottom, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State