



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 7, 2015 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Tiffin, Iowa for the period July 1, 2013 through June 30, 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. The City should also ensure bank and investment balances are reconciled to the general ledger monthly. In addition, the City should comply with the budget amendment requirements of Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

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/1421-0490-BL0F.pdf>

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**CITY OF TIFFIN**

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD**  
**JULY 1, 2013 THROUGH JUNE 30, 2014**

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**City of Tiffin**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Steve Berner	Mayor	Jan 2014
James R. Bartels	Council Member	Jan 2014
Joan F. Kahler	Council Member	Jan 2014
Royce Phillips	Council Member	Jan 2014
Michael C. Ryan	Council Member	Jan 2016
Peggy Knowling Upton	Council Member	Jan 2016
Michon Jackson	City Clerk/Treasurer	Indefinite
Robert Michael	Attorney	Annual Appointment
<b>(After January 2014)</b>		
Steve Berner	Mayor	Jan 2018
Michael C. Ryan	Council Member	Jan 2016
Peggy Knowling Upton	Council Member	Jan 2016
James R. Bartels	Council Member	Jan 2018
Joan F. Kahler	Council Member	Jan 2018
Mark Petersen	Council Member	Jan 2018
Michon Jackson	City Administrator/Clerk	Indefinite
Robert Michael	Attorney	Annual Appointment

**City of Tiffin**



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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 Tiffin for the period July 1, 2013 through June 30, 2014. The City of Tiffin'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 2013 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 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.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 City of Tiffin, 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 Tiffin, 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 Tiffin and other parties to whom the City of Tiffin 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 Tiffin 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

November 21, 2014

## **Detailed Recommendations**

City of Tiffin

Detailed Recommendations

For the period July 1, 2013 through June 30, 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) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (5) Journal entries – preparing and journalizing.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.

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

(B) Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment balances throughout the year. For the month reviewed, bank and book balances did not properly reconcile. A variance of \$18,759 was not resolved.

Recommendation – The City should establish procedures to ensure bank and investment balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

(C) 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.

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

City of Tiffin

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (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:

- (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 City accounts are appropriately utilized.

- (E) Petty Cash Fund – Petty cash on hand at City Hall was not maintained on an imprest basis and was not maintained at an authorized amount. Surprise cash counts are not performed by an independent person. The petty cash fund is not stored in a secured location.

Recommendation – The petty cash fund should be maintained on an imprest basis to provide additional control over the fund. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits. Also, the City Council should approve an authorized amount to be maintained in the petty cash fund. Surprise cash counts should be conducted by an independent person to ensure the accuracy of the petty cash fund balance. Additionally, the petty cash fund should be stored in a secured location.

- (F) Investments – An accounting record/register is not maintained for each investment.

Recommendation – An accounting record/register for each investment which includes the principal, description, date purchased, interest rate, maturity date and identifying number should be maintained.

- (G) Payroll – Timesheets for two of five employees tested did not include evidence of supervisory review. Additionally, wage increases were approved based upon a percentage and the actual approved wages were not documented in the City Council minutes.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll. Actual salaries and wages of employees should be adequately documented by including the actual approved wages in the City Council minutes.

- (H) Disbursements - Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for three of thirty disbursements tested could not be located.

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

- (I) Journal Entries – Journal entries are not reviewed and approved by an independent person.

City of Tiffin

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

Recommendation – An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

- (J) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings to be published within fifteen days of the meeting. Minutes for one meeting tested were not published within fifteen days. In addition, minutes for the City Council meetings were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days, as required. Also, the minutes record should be signed to authenticate the actions taken.

- (K) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works, culture and recreation, community and economic development, general government and debt service functions prior to the budget amendment. Disbursements at year end exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development, general government, capital projects, and business type activities functions.

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.

- (L) General Obligation Bonds – Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund.” The City paid general obligation debt from the Special Revenue, Tax Increment Financing Fund rather than the Debt Service Fund.

Recommendation – In the future, the City should transfer funds to the Debt Service Fund to pay general obligation principal and interest.

- (M) Annual Urban Renewal Report – The City did not submit an Annual Urban Renewal Report (AURR) to the Department of Management by December 1 as required by Chapter 403.19 of the Code of Iowa.

In addition, the beginning and ending cash balances, receipts and disbursements reported on the Levy Authority Summary do not agree with the City’s general ledger.

Recommendation – The City should file the AURR timely and should ensure the amounts reported on the Levy Authority Summary agree with the City’s records.

- (N) Tax Increment Financing – During fiscal year 2013, the City issued general obligation corporate purpose bonds and deposited the proceeds into the Capital Projects Fund to pay costs associated with urban renewal projects in the TIF district. During fiscal year 2014, the City disbursed \$2,520,315 from the Special Revenue, Tax Increment Financing (TIF) Fund for projects in the TIF district and subsequently transferred \$3.4 million of unspent bond proceeds from the Capital Projects Fund to the TIF Fund to cover the project costs. In accordance with Chapters 403.19(10)(b) and 403.22 of the Code of Iowa, the TIF Fund may only be used for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable LMI assistance, not for project costs. In addition, the \$3.4 million transferred from the Capital Projects Fund to the TIF Fund was based on a budgeted amount, not actual costs, and resulted in an excess TIF Fund balance at June 30, 2014.

City of Tiffin

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

Recommendation – The City should determine the amount of the unspent bond proceeds remaining in the TIF Fund and make a corrective transfer to the Capital Projects Fund. Future urban renewal project costs should be paid directly from available resources in the Capital Projects Fund rather than the TIF Fund.

- (O) Separately Maintained Records – The City has an annual festival referred to as Tiffifest. The Tiffifest Committee has a separate board and maintains a bank account separate from the City Clerk’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 annual budget and should be reported to the City Council on a monthly basis.

- (P) Revenue Bonds – The following instances of non-compliance with revenue bond requirements were noted:

- While the City made principal and interest payments from sinking accounts, the City did not make monthly transfers to the sinking accounts as required by Section 10 of the sewer revenue bond resolution and section 8 of the water revenue bond resolution.
- The City does not pay for sewer and water usage as required.

Also, \$1,767 of interest was incorrectly paid from the Enterprise, Water Fund rather than the Enterprise, Sewer Fund.

Recommendation – The City should make the required transfers to the sinking accounts and establish procedures to ensure all City departments are charged for water and sewer usage as required.

Also, the City should make a corrective transfer for \$1,767 from the Enterprise, Sewer Fund to the Enterprise, Water Fund.

- (Q) 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 do not agree with the City’s records. Additionally, certain proprietary type receipts were recorded in an incorrect fund and ending fund balances reported on the Annual Financial Report were not accurate.

Recommendation – The City should establish procedures to ensure the Annual Financial Report is accurate and supported by City records.

- (R) Deficit Fund Balances – The General Fund and the Special Revenue, Road Use Tax Fund had deficit balances of \$735,535 and \$350,514, respectively, at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

City of Tiffin

Staff

This agreed-upon procedures engagement was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Jesse J. Harthan, Staff Auditor  
Doug A. Fiester, Auditor Intern



Andrew E. Nielsen, CPA  
Deputy Auditor of State