



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ August 8, 2016 _____

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Masonville, Iowa for the period January 1, 2015 through December 31, 2015. 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 establish procedures to ensure bank and utility reconciliations are performed monthly and the Annual Financial Report is prepared accurately. The City should also comply with Chapter 384.18 of the Code of Iowa and amend the budget 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 <https://auditor.iowa.gov/reports/1522-0264-EPOP>.

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CITY OF MASONVILLE

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

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City of Masonville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Alden	Mayor	Jan 2016
Sherry Davis	Council Member	Jan 2016
Chuck Rettinger	Council Member	Jan 2016
Dan Kaiser	Council Member	Jan 2016
Nellie Marting	Council Member	Jan 2016
Jerry Alden	Council Member	Jan 2016
Marge Horstman	City Clerk	Indefinite

City of Masonville



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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 Masonville for the period January 1, 2015 through December 31, 2015. The City of Masonville'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 2015 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 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 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.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. 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.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Masonville, 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 Masonville and other parties to whom the City of Masonville 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 Masonville 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

April 7, 2016

Detailed Recommendations

City of Masonville

Detailed Recommendations

For the period January 1, 2015 through December 31, 2015

(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, distributing, entering rates and adding/removing employees from the system.
- (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable records.
- (6) Long-term debt – recording 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 – The cash and investment balances in the City’s general ledger were reconciled to bank account balances throughout the year. However, the bank reconciliations are not independently reviewed. In addition, listings of outstanding checks were not prepared monthly and retained.

Recommendation – An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations. Monthly outstanding check listings should be prepared and retained. Outstanding check listings should include check number, date written and amount for each listed check.

City of Masonville

Detailed Recommendations

For the period January 1, 2015 through December 31, 2015

- (C) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) include a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” We reviewed the AFR for the year ended June 30, 2015 and noted the following:

- Individual fund activity was not supported by the City’s records, including amounts reported as other financing sources and other financing uses.
- Total indebtedness at June 30, 2015 is understated on the AFR by \$132,201.
- Budget amounts reported on the AFR did not agree to the City’s approved budget.

Recommendation – The City should ensure future Annual Financial Reports agree with the City’s records and the City’s approved budget.

- (D) 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 and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (E) Management Financial Information – The City Clerk’s financial reports to the City Council included cash balances and monthly receipts and disbursements, but did not include comparisons to the certified budget by function or a summary of beginning balances, receipts, disbursements, transfers and ending balances by fund.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendment to the certified budget, the City 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 balances, receipts, disbursements, transfers and ending balances for each fund.

- (F) 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 – 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.

City of Masonville

Detailed Recommendations

For the period January 1, 2015 through December 31, 2015

- (G) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be posted within fifteen days of the meeting. The postings shall include a list of claims, including the reason for each claim, a summary of receipts and total disbursements by fund. The meeting minutes tested did not include total disbursements from each fund or a summary of receipts. In addition, three minutes tested did not include the reason for each claim.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and ensure a summary of receipts, total disbursements by fund and the reason for each claim are posted as required.

- (H) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, public works and culture and recreation 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.

- (I) Credit Card – The City has a credit card for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card purchases.

Recommendation – The City should adopt a formal written policy regulating the use of the City’s credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to support the purchases.

- (J) Disbursements – Supporting documents are not furnished to the check co-signer prior to co-signing the checks. Approval of payments is not documented by the signature or initials of the reviewer and the date of review on the supporting documentation. Also, supporting documentation for claims is not cancelled to prevent reuse.

Three disbursements tested were not properly supported by an invoice. One disbursement tested was not approved by the City Council.

Recommendation – Supporting documents for disbursements should be reviewed by the check signers prior to co-signing checks. Payment approval should be documented by the signature or initials of the reviewer and the date of review on the supporting documentation. In addition, supporting documentation for claims should be cancelled to prevent reuse. The City should retain original invoices for all disbursements and ensure all claims are approved by the City Council.

City of Masonville

Detailed Recommendations

For the period January 1, 2015 through December 31, 2015

- (K) 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.

- (L) Payroll – Time sheets were not required to be prepared by all employees to substantiate hours worked. For time sheets that were prepared, there was no indication the time sheets had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll. In addition, one employee's hourly rate could not be traced to City Council authorization.

Recommendation – The City should review and update payroll policies and procedures to ensure all employees submit detailed timesheets to support hours worked and timesheets are reviewed and approved by supervisory personnel prior to preparation of payroll. Also, all pay rates should be authorized by the City Council and the authorization should be documented in the minutes record.

- (M) 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 several bank accounts.

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.

- (N) Annual Urban Renewal Report (AURR) – The AURR report was not certified to the Iowa Department of Management on or before December 1. The report was certified on February 23, 2016.

Recommendation – The City should file the AURR timely.

- (O) Transfers – Transfers made by the City were not approved by the City Council.

Recommendation – The City Council should approve all transfers prior to the actual transfer and document the approval as part of the minutes record.

City of Masonville

Staff

This agreed-upon procedures engagement was performed by:

Tammy A. Hollingsworth, CIA, Manager
Ryan P. Swanson, CPA, Staff Auditor
Debra M. Copeland, Assistant Auditor


Marlys K. Gaston, CPA
Director