



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____ August 30, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Crawfordsville, 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. In addition, the City should establish procedures to ensure bank and utility reconciliations are completed monthly and are independently reviewed.

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/1522-0884-EPOP>.

###

CITY OF CRAWFORDSVILLE

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

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

Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant’s Report on Applying Agreed-Upon Procedures	5-6
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 8
Bank Reconciliations	B 8
Reconciliation of Utility Billings, Collections and Delinquent Accounts	C 8
Financial Reporting	D 9
Financial Condition	E 9
Water Revenue Capital Loan Note	F 9
Certified Budget	G 9
Payroll	H 10
City Council Meeting Minutes	I 10
Transfers	J 10
Chart of Accounts	K 10
Computer System Policies	L 10
Deposits and Investments	M 11
Staff	12

City of Crawfordsville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Davey	Mayor	Jan 2016
John Burroughs	Council Member	Jan 2016
Billie Jo Rose	Council Member	Jan 2016
Mickey Blum	Council Member	Jan 2018
Gene Miller	Council Member	Jan 2018
Carolyn Steele	Council Member	Jan 2018
Carolyn Love	City Clerk	Indefinite
Katie Lujan	Attorney	Indefinite

City of Crawfordsville



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Crawfordsville for the period January 1, 2015 through December 31, 2015. The City of Crawfordsville'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 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 transfers between funds for propriety, proper authorization and accurate accounting.
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 Crawfordsville, 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 Crawfordsville and other parties to whom the City of Crawfordsville 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 Crawfordsville 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

March 23, 2016

Detailed Recommendations

City of Crawfordsville

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) 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) Debt – recordkeeping, compliance and debt payment processing.
- (6) Journal entries – preparing and journalizing.
- (7) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (8) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (9) Financial reporting – preparing and reconciling.
- (10) Computer system – performing all general accounting functions and controlling all data input and output.

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 – Cash and investment balances were not reconciled to bank and investment account balances throughout the year.

Recommendation – The City should establish procedures to ensure bank and investment account 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 should be documented by the signature or initials of the reviewer and the date of the review.

City of Crawfordsville

Detailed Recommendations

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

- (D) Financial Reporting – A monthly City Clerk’s report, including a summary of beginning balances, receipts, disbursements, transfers and ending balances by fund and a comparison of total disbursements for all funds to the certified budget by function, is not prepared. In addition, ending fund balances reported on the Annual Financial Report (AFR) did not agree with the City’s general ledger by \$14,500 and the budget amounts reported on the AFR did not agree with the certified budget.

Recommendation – The City Clerk should prepare a monthly City Clerk’s report which includes a summary of beginning balances, receipts, disbursements transfers and ending balances by fund and comparisons of total disbursements for all funds by function. In addition, the City should establish procedures to ensure the AFR reconciles to the general ledger and the budget column on the AFR agrees with the City’s certified budget.

- (E) Financial Condition – The Enterprise, Water Fund had a deficit balance of \$629 at June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

- (F) Water Revenue Capital Loan Note – The provisions of the water revenue note resolution require sufficient monthly transfers be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due. The City has not established a separate water revenue note sinking account.

Also, the water revenue note resolution requires the City to maintain user rates at a level to ensure net receipts are equal to at least 110% of the principal and interest due each year. The City’s Enterprise, Water Fund is in a deficit position, accordingly, the City has not maintained sufficient user rates.

In addition, the provisions of the water revenue note resolution require the City to pay for water usage. For the period reviewed, the City did not pay for water usage.

Recommendation – The City should adjust user rates or reduce other expenses to ensure net receipts equal at least 110% of the principal and interest due each year. The required sinking account should be established. The City should establish procedures to ensure all City departments are charged for water usage, as required.

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

Detailed Recommendations

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

- (H) Payroll – Timesheets did not include evidence of supervisory review. In addition, annual wage increases for City employees were approved as a dollar increase and the actual approved wages and hourly rates were not documented in the City Council meeting minutes.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Additionally, procedures should be established to ensure all pay increases and the actual wages and hourly rates are adequately documented in the City Council meeting minutes.

- (I) 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. Additionally, the publications should include total disbursements by fund and a summary of receipts. Minutes for three meetings tested were not published within fifteen days and the minutes publications for all meetings tested did not include total disbursements by fund or a summary of receipts, as required.

Recommendation – The City should comply with the Code of Iowa and publish City Council meeting minutes within fifteen days of the meeting. In addition, the publications should include total disbursements by fund and summary of receipts.

- (J) Transfers – Transfers between funds were not properly coded as “transfers” in the general ledger and were not always approved by the City Council prior to the actual transfer.

Recommendation – The City should ensure transfers are properly coded in the general ledger. In addition, the City Council should approve all transfers prior to the actual transfer and document approval and the transfer amounts as part of the minutes record.

- (K) Chart of Accounts - The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation - To provide better financial information and control, the COA, or its equivalent, should be followed.

- (L) Computer System Policies – The City does not have written policies and procedures to require a timeout or lockout function or to require password privacy and confidentiality and password changes every 60 to 90 days. In addition, the City does not have a written disaster recovery plan.

Recommendation – The City should develop policies and procedures addressing the above items to improve the City’s internal control over its computer system. A written disaster recovery plan should be developed and tested periodically.

City of Crawfordsville

Detailed Recommendations

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

- (M) 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.

City of Crawfordsville

Staff

This agreed-upon procedures engagement was performed by:

Timothy D. Houlette, CPA, Manager
Emma L. McGrane, Staff Auditor
Alison C. Anker, Assistant Auditor


Marlys K. Gaston, CPA
Director