



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

October 21, 2016

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Coulter, Iowa for the period April 1, 2015 through March 31, 2016. 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. In addition, the City should comply with Chapter 384.18 of the Code of Iowa by amending its 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/1522-0331-EPOP>.

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CITY OF COULTER

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

**FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016**

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 9
Chart of Accounts	D 9
City Clerk's Monthly Reports	E 9
Deposits and Investments	F 9
Certified Budget	G 9
Business Transactions	H 10
Questionable Disbursements	I 10
Payroll	J 11
Electronic Check Retention	K 11
Annual Financial Report	L 11
Separately Maintained Records	M 11
Staff	12

City of Coulter

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Mark Brown	Mayor	Jan 2016	Jan 2018
Kevin Erickson	Council Member	Jan 2014	Jan 2018
Donna Lohrbach	Council Member	Jan 2014	Jan 2018
Dan Tilkes	Council Member	Jan 2016	Jan 2020
Dallas Paris	Council Member	Jan 2016	Jan 2020
Anthony Stadtlander	Council Member	Jan 2016	Jan 2020
LaDonna Jorges	City Clerk/Treasurer		Indefinite
Gary Berkland	Attorney		Indefinite

City of Coulter



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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 Coulter for the period April 1, 2015 through March 31, 2016. The City of Coulter'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 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.

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 Coulter, 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 Coulter and other parties to whom the City of Coulter 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 Coulter 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

April 27, 2016

Detailed Recommendations

City of Coulter

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

(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) Investments – recording and custody of investment documents.
- (7) Long-term debt – recording and reconciling.

For the Coulter Volunteer Fire Department account, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash – handling, reconciling and recording.

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 – Although monthly bank reconciliations were prepared for individual accounts, they were not always reviewed by an independent person. Also, the June 30, 2015 reconciliations did not include certificates of deposit or other accounts for the community center, cemetery and fire department.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should include all certificates of deposit and other accounts. The reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

City of Coulter

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – While utility billings, collections and delinquent accounts were reconciled throughout the year, there is no evidence of independent review of the reconciliations.

Recommendation – 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.

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

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

- (E) City Clerk’s Monthly Reports – The City Clerk’s monthly reports to the City Council included cash and investment balances and year-to-date receipts and disbursements, but did not include a summary of beginning balances, receipts, disbursements and ending balances by fund.

Recommendation – To provide better financial information, the City Clerk’s monthly reports should include the beginning balances, receipts, disbursements and ending balances for each fund.

- (F) 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.

- (G) Certified Budget – Disbursements for the year ended June 30, 2015 exceeded the amounts budgeted in the public works, health and social services, culture and recreation, community and economic development, general government and debt service functions. Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public works and health and social services functions prior to the budget amendment. 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 budgets 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 Coulter

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

- (H) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Nole Erickson, Council Member's son	Mowing (through March 2016)	\$4,400

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (I) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Sam's Club	Food for retirement party	\$ 623
Hometown Pizza	Food for retirement party	260
Field Fire	Retirement gift	265
Michael and Brandy Frie	Wedding donation	100
Thomas Craighton	Items for retirement party	238

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Fire Department and City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

City of Coulter

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

- (J) Payroll – Employees do not prepare and submit timesheets to support hours worked and taken as leave. In addition, actual approved salaries were not noted and approved in the City Council meeting minutes.

Recommendation – Timesheets should be prepared by all employees and should be signed by the employee and the employee’s immediate supervisor prior to submission. The timesheets should support all hours worked and taken as leave. In addition, employee approved salaries should be adequately documented in the City Council meeting minutes.

- (K) 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.

- (L) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” At June 30, 2015 the total ending balance reported on the AFR was \$146,826, \$7,708 more than the \$139,118 reported on the City’s monthly Treasurer’s report. Also, because the City’s monthly Treasurer’s report does not report ending cash balances by fund, we were unable to determine the accuracy of the individual fund balances reported on the AFR. In addition, at June 30, 2015, the City held a \$6,560 perpetual care cemetery certificate of deposit which was incorrectly classified on the AFR as a General Fund rather than a Permanent Fund. The City also incorrectly reported a \$5,000 general obligation bond payment in the public safety function rather than the debt service function.

Recommendation – The City should ensure future Annual Financial Reports are accurate and agree with City’s records.

- (M) Separately Maintained Accounts – The Fire Department maintains separate accounting records for certain operations. The transactions and the resulting balances were not always included in the City’s annual budget, monthly financial reports or Annual Financial Reports. Also, invoices and other supporting documentation were not always available to support disbursements from this account.

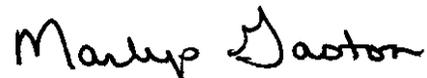
Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis. Also, all disbursements should be supported by invoices or other supporting documentation.

City of Coulter

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Kelly L. Hilton, Senior Auditor II
Adjoa S. Adanledji, Assistant Auditor


Marlys K. Gaston, CPA
Director