



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

December 1, 2016

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Coggon, Iowa and the Coggon Municipal Light Plant 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 and the Municipal Light Plant review their control procedures to obtain the maximum internal control possible. In addition, the City and Municipal Light Plant should establish procedures to reconcile utility billings, collections and delinquent accounts.

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/1522-0542-EP0P>.

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**CITY OF COGGON AND
COGGON MUNICIPAL LIGHT PLANT**

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

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

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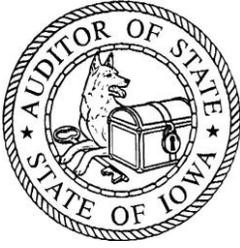
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**City of Coggon and
Coggon Municipal Light Plant**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
<u>City:</u>			
Dan Huber	Mayor	Jan 2014	Jan 2018
Terry Bumgarner	Mayor Pro Tem, Council Member	Jan 2014	Jan 2018
Ray Archibald	Council Member	Jan 2014	Jan 2018
Tom Broghammer	Council Member	Jan 2016	Jan 2020
Cheryl Schott	Council Member	Jan 2016	Jan 2020
Richard Zieser	Council Member	Jan 2016	Jan 2020
Brenda Quandt	City Clerk		Indefinite
Patsy Peyton	City Treasurer		Indefinite
Don Hoskins	City Attorney		Indefinite
<u>Municipal Light Plant:</u>			
Sharon Reiter	Board of Trustees (Chairperson)	Nov 2014	Nov 2020
Pam Westemeier	Board of Trustees	Mar 2013	Mar 2019
Steve Hart	Board of Trustees	Jan 2016	May 2016
Vaughn McClelland	Board of Trustees	Apr 2014	Jan 2018
Bill Vosdingh	Board of Trustees	Nov 2014	Mar 2019
Jason Recker	Superintendent		Indefinite
Mary Rundle	Bookkeeper		Indefinite

**City of Coggon and
Coggon Municipal Light Plant**



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor, Members of the City Council
and Members of the Municipal Light Plant Board of Trustees:

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 Coggon and the Coggon Municipal Light Plant (Municipal Light Plant) for the period April 1, 2015 through March 31, 2016. The City of Coggon's and the Coggon Municipal Light Plant's management, which agreed to the performance of the procedures performed, are responsible for the City's and the Municipal Light Plant'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 and the Municipal Light Plant Board of Trustees meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's and Municipal Light Plant'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's and the Municipal Light Plant'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 and the Municipal Light Plant Board of Trustees.
5. We reviewed the City's and the Municipal Light Plant's 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 and the Municipal Light Plant. 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. The City's recommendations are followed by the Municipal Light Plant's recommendations.

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 Coggon and the Coggon Municipal Light Plant, 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 Coggon, the Coggon Municipal Light Plant and other parties to whom the City of Coggon and the Coggon Municipal Light Plant 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 Coggon and the Coggon Municipal Light Plant 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 18, 2016

Detailed Recommendations

City of Coggon and
Coggon Municipal Light Plant

Detailed Recommendations

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

City:

(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) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (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) Reconciliation of Utility Billings, Collections and Delinquent Accounts – A reconciliation of utility billings, collections and delinquent accounts was not performed for three of twelve months reviewed. The reconciliations for the remaining nine months included unresolved variances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. Variances, if any, should be investigated and resolved timely. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts.

(C) Financial Software – Although the City has financial software, the City records financial activity using both a manual system and a computerized system. The fund balances in the computerized records do not agree with the balances in the manual records.

Recommendation – The City should resolve the fund balance differences and utilize the financial software to track fund balances.

(D) Timesheets – Timesheets did not include evidence of supervisory review.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Supervisory approval should be documented by the signature or initials of the supervisor and the date of approval.

City of Coggon and
Coggon Municipal Light Plant

Detailed Recommendations

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

- (E) Payroll Increases – Annual wage increases for all City employees were approved based upon a percentage increase and the actual approved wage or salary was not documented in the City Council minutes.

Recommendation – Salaries and wages of employees should be adequately documented in the City Council meeting minutes.

- (F) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the public works and business-type activities 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 budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (G) Financial Condition – At March 31, 2016, the City had a deficit balance of \$2,183 in the Capital Projects, Community Development Block Grant Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial condition.

- (H) Investments – 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 which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

City of Coggon and
Coggon Municipal Light Plant

Detailed Recommendations

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

Municipal Light Plant:

(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 Municipal Light Plant:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (7) Computer system – performing all general accounting functions and controlling all data input and output.
- (8) Financial Reporting – preparing and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Municipal Light Plant should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including Board of Trustee Members. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – A reconciliation of utility billings, collections and delinquent accounts was not prepared.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The Board of Trustees or other independent person designated by the Board of Trustees should review the reconciliations and monitor delinquent accounts.

(C) Bank Reconciliations – Although monthly bank reconciliations were prepared for individual accounts, there was no evidence of review by an independent person.

Recommendation – The bank reconciliations should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review.

City of Coggon and
Coggon Municipal Light Plant

Detailed Recommendations

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

- (D) Board of Trustees Meeting Minutes – The minutes record of all meetings tested for the period April 1, 2015 to March 31, 2016 were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The minutes record should be signed to authenticate the actions taken, as required by Chapter 380.7 of the Code of Iowa.

- (E) Debit Cards – The Municipal Light Plant has debit cards available for use by employees while on Municipal Light Plant business.

Recommendation – The Board of Trustees should prohibit the use of debit cards for Municipal Light Plant purchases. Debit cards provide immediate access to the Municipal Light Plant’s funds. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no process for prior approval of purchases made with a debit card.

- (F) 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:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Casey’s General Store	Pizza for Americorp Team	\$ 21

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 Board of Trustees should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the Board of Trustees should establish written policies and procedures, including the requirements for proper public purpose documentation.

- (G) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Municipal Light Plant 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 Municipal Light Plant does not receive an image of the back of each cancelled check.

Recommendation – The Municipal Light Plant 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.

- (H) Internal Revenue Service Section 148 Compliance – The Municipal Light Plant has not established written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements of Section 148 of the Internal Revenue Service rules.

Recommendation – The Municipal Light Plant should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements of Section 148 of the Internal Revenue Service rules.

City of Coggon and
Coggon Municipal Light Plant

Detailed Recommendations

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

- (I) Investments – The Board of Trustees has not adapted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The Board of Trustees should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (J) Budget – Although the Board of Trustees adopted a budget for the fiscal year 2015, the budget was not submitted to the City for inclusion in the City’s certified budget as required by Chapter 384.16 of the Code of Iowa and the Iowa Department of Management.

Recommendation – The Municipal Light Plant budget should be submitted to the City for inclusion in the City’s certified budget, as required.

City of Coggon and
Coggon Municipal Light Plant

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager
Melissa A. Hastert, CPA, Staff Auditor
Adjoa S. Adanledji, Assistant Auditor


Marlys K. Gaston, CPA
Director