



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

December 27, 2016

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Bronson, 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 possible. Also, the City should establish procedures to ensure utility reconciliations are performed monthly and the Annual Financial Report is prepared accurately.

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/1522-0927-EP0P>.

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CITY OF BRONSON

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

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

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City of Bronson

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Dave Amick	Mayor	Jan 2016	Jan 2020
Lisa Crilly	Council Member	Jan 2014	Jan 2018
Jason Garnand	Council Member	Jan 2014	Jan 2018
Pat Wordekemper	Council Member	Jan 2014	Jan 2018
Tony Thompson	Council Member	Jan 2016	Jan 2020
Doug Williams	Council Member	Jan 2016	Jan 2020
Lindy Jessen	City Clerk		Indefinite
Monica Junge	City Treasurer		Indefinite
Glenn Metcalf	Attorney		Indefinite

City of Bronson



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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 Bronson for the period April 1, 2015 through March 31, 2016. The City of Bronson'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 Bronson, 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 Bronson and other parties to whom the City of Bronson 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 Bronson 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 28, 2016

Detailed Recommendations

City of Bronson

Detailed Recommendations

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

(A) Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one individual has control over the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Utilities – billing, collecting, depositing and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, recording and reconciling.
- (5) Payroll – preparation, recording and distributing.
- (6) Debt – recordkeeping, compliance and payment processing.
- (7) Journal entries – preparing and journalizing.
- (8) Financial reporting – preparing and reconciling.
- (9) Computer system – performing all general accounting functions and controlling all data input and output.

For the Bronson Ambulance, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, recording, depositing and reconciling.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Bronson Ambulance should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected and other 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 – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared and maintained. A reconciliation is designed to ensure the proper recording of utility receipts and the propriety of adjustments, write-offs and delinquent account balances.

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 a Council-designated independent person should review the reconciliations and monitor delinquencies.

City of Bronson

Detailed Recommendations

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

- (C) Bank Reconciliations – The City’s fund balances were \$1,372 higher than the bank balances at June 30, 2015 and at March 31, 2016. In addition, the bank reconciliations were not reviewed by an independent person.

Recommendation – The City should establish procedures to ensure variances between bank and book balances are investigated and resolved timely. In addition, the bank reconciliations should be reviewed by an independent person.

- (D) Annual Financial Report – Certain receipts, disbursements and fund balances reported in the City’s Annual Financial Report (AFR) did not agree with City records.

Recommendation – The City should implement procedures to ensure the AFR receipts, disbursements and fund balances agree with City records.

- (E) City Council Meeting Minutes – Three of five meeting minutes tested were not published within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa. Also, since the proofs of publication were not retained, we were unable to determine if the City published a list of claims allowed, including the reason, disbursements by fund and a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should retain proofs of publication of the City Council meeting minutes and should ensure the minutes are published timely and include the items required by Chapter 372.13(6) of the Code of Iowa.

- (F) Separately Maintained Records – The Bronson Ambulance maintains a bank account for fundraiser and donation activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget or monthly financial reports.

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.

- (G) Local Option Sales Tax – The City’s local option sales tax (LOST) ballot requires 10% of the LOST proceeds to be used for property tax relief and 90% for maintenance and improvements of City buildings. The City credits all LOST receipts to a Special Revenue Fund however, the City does not track LOST disbursements and unspent balances to ensure compliance with the ballot requirements.

Recommendation – The City should adequately track LOST disbursements and unspent balances to demonstrate compliance with the LOST ballot requirements.

- (H) Ambulance Disbursements – Four of five disbursements tested were not supported by an invoice or other supporting documentation. In addition, we noted two checks totaling \$200 issued to “cash”. Ambulance personnel indicated the cash was issued for meals however, receipts were not maintained to document how the cash was spent.

City of Bronson

Detailed Recommendations

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

Recommendation – The City should establish policies and procedures to ensure disbursements are adequately supported. Writing checks to “cash” should be discontinued.

- (I) Pre-numbered Receipts – Pre-numbered receipts were not issued for collections.

Recommendation – Pre-numbered receipts should be issued for all collections at the time of collection to provide additional control over the proper collection and recording of all receipts.

- (J) Transfer and Disbursement Approval – City Council approval of transfers between funds was not always documented in the City Council meeting minutes. In addition, six of thirty disbursements tested were not approved by the City Council.

Recommendation – The City should ensure all transfers between funds and disbursements are approved by the City Council. The approval should be documented in the City Council meeting minutes.

- (K) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the general government function. Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the capital projects function 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.

- (L) Ambulance Bank Account and Receipts – Monthly reconciliations of book and bank balances were not prepared. In addition, pre-numbered receipts were not issued for collections.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved timely. An independent review of the reconciliation should be performed. Pre-numbered receipts should be issued at the time of collection to provide additional control over recording of all collections.

- (M) Charge Accounts – The City has charge accounts for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of charge accounts.

Recommendation – The City should adopt a formal written policy regulating the use of City charge accounts. The policy, at a minimum, should address who is authorized to use the charge accounts and for what purposes, as well as the types of supporting documentation required to substantiate charges.

City of Bronson

Detailed Recommendations

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

- (N) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts recommended by the City Finance Committee. As a result, certain receipts and disbursements were not properly reported in the AFR.

Recommendation – To provide better financial information and control, the Uniform Chart of Accounts or its equivalent should be adopted by the City. The City should ensure receipts and disbursements are properly recorded and reported in the AFR.

- (O) Accounting Procedures Manual – The City does not have a current 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.

- (P) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies for:

- (1) Requiring the use of a user name or password.
- (2) Requiring the maintenance of password privacy and confidentiality.
- (3) Requiring passwords be changed at least every 60 to 90 days.
- (4) Requiring password history be maintained to prevent employees from reusing the same password.
- (5) Personal use of equipment and software.
- (6) Internet usage.

Also, the City does not have a written disaster recovery plan.

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

- (Q) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding checks held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

City of Bronson

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager
Jamie T. Reuter, Senior Auditor II
Preston R. Grygiel, Assistant Auditor


Marlys K. Gaston, CPA
Director