



**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 _____ December 27, 2016

Contact: Marlys Gaston
515/281-5834

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

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/1522-0881-EP0P>.

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CITY OF SPRING HILL
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
Accounting Records and Financial Information	C 8
Disbursements	D 8-9
City Council Meeting Minutes	E 9
Electronic Check Retention	F 9
Pre-numbered Receipts	G 9
Deposits	H 9
Surety Bond Coverage	I 9
Receipts	J 10
Staff	11

City of Spring Hill

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Michael Harris	Mayor	Jan 2016	Jan 2018
Craig Walker	Council Member	Jan 2016	Jan 2018
Heather Guthrie	Council Member	Jan 2016	Jan 2018
Lawrance Anthony	Council Member	Jan 2016	Jan 2018
Marco Magazinovic	Council Member	Jan 2016	Jan 2018
Brad Harris	Council Member	Jan 2016	Jan 2018
Matthew Johnson	City Clerk		Indefinite

City of Spring Hill



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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 Spring Hill for the period April 1, 2015 through March 31, 2016. The City of Spring Hill's management, which agreed to the performance of the procedures performed, is responsible for the City's record.

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 (AFR) 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 and tested selected receipts for accurate accounting and consistency with the recommended COA.

9. 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.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. 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 Spring Hill, 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 Spring Hill and other parties to whom the City of Spring Hill 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 Spring Hill 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

June 30, 2016

Detailed Recommendations

City of Spring Hill

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) Financial reporting – preparing and reconciling.
- (5) Accounting system – performing all general accounting functions and having custody of assets.

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 balances in the City’s general ledger were reconciled to bank account balances throughout the year. However, an independent review of the bank reconciliations was not performed.

Recommendation – An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(C) Accounting Records and Financial Information – The City Clerk’s financial reports to the City Council do not include comparisons to the certified budget by function. In addition, year-to-date totals of receipts by fund and source and disbursements by fund and function were not maintained to facilitate the preparation of and support for the Annual Financial Report (AFR).

Recommendation – Year-to-date totals of receipts by fund and source and of disbursements by fund and function should be maintained to facilitate the preparation of and support for the AFR. Monthly financial reports provided to the City Council should include comparisons of disbursements to the certified budget by function.

(D) Disbursements – Supporting documents could not be located for five of thirty disbursements tested, including four payroll checks. City Council approval of disbursements was not documented. Also, supporting documentation for claims was not always cancelled to prevent reuse.

City of Spring Hill

Detailed Recommendations

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

Recommendation – Supporting documentation should be maintained for all disbursements, including payroll. All disbursements should be approved by the City Council. Disbursements approval should be documented in the City Council meeting minutes. In addition, supporting documentation for claims should be cancelled to prevent reuse.

- (E) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published (or posted if the City’s population is less than 200) within fifteen days of the meeting, including a list of claims, total disbursements from each fund and a summary of receipts by fund. The City does not post the City Council meeting minutes. In addition, the City does not post agendas for City Council meetings as required by Chapter 21.4 of the Code of Iowa and meeting minutes were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and post minutes within fifteen days, as required. The posted minutes should include a list of claims, total disbursements from each fund and a summary of receipts by fund. The City should post agendas for City Council meetings 24 hours in advance and should ensure all minutes are signed to authenticate the actions taken, as required.

- (F) 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 as required by Chapter 554D.114 of the Code of Iowa.

- (G) Pre-numbered Receipts – Pre-numbered receipts were not issued for all collections and an initial listing of collections was not prepared.

Recommendation – Pre-numbered receipts should be issued for all collections and an initial listing of collections should be prepared. The listing should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

- (H) Deposits – Five garbage collection receipts tested were not deposited timely.

Recommendation – The City should establish procedures to ensure all receipts are deposited timely.

- (I) Surety Bond Coverage – Surety bond coverage for City officials and employees was not maintained for the period April 1, 2015 through March 31, 2016 as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should obtain and maintain surety bond coverage as required by Chapter 64 of the Code of Iowa. The City should periodically review coverage for adequacy.

City of Spring Hill

Detailed Recommendations

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

- (J) Receipts – Property tax receipts of \$164 collected in December 2015 were incorrectly posted as garbage receipts.

Recommendation – The City should establish procedures to ensure receipts are correctly posted.

City of Spring Hill

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor II


Marlys K. Gaston, CPA
Director