



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

December 27, 2016

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Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of LeRoy, 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 monthly bank reconciliations are performed and the City Clerk's monthly reports include individual and total fund balances.

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/1522-0252-EPOP>.

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**CITY OF LEROY**

**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 LeRoy**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Emmett Joy	Mayor	Jan 2016	Jan 2018
Nicole Brooks	Council Member	Jan 2016	Jan 2018
Velma Hawkinson	Council Member	Jan 2014	Resigned
Charla Joy	Council Member	Jan 2016	Jan 2018
Stephanie Sponsler	Council Member	Jan 2016	Jan 2018
Willa Clark	City Clerk		Indefinite

**City of LeRoy**



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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 LeRoy for the period April 1, 2015 through March 31, 2016. The City of LeRoy'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 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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 LeRoy, 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 LeRoy and other parties to whom the City of LeRoy 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 LeRoy 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 22, 2016

## **Detailed Recommendations**

City of LeRoy

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) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) 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.

(B) Bank Reconciliations – The City’s cash and investment balances were not reconciled to book balances throughout the year. At June 30, 2015, the cash and investment balances were \$1,468 higher than the ending fund balance reported on the City’s Annual Financial Report (AFR).

Recommendation – They City should establish procedures to ensure bank and investment account balances are reconciled to book balances monthly. Variances, if any, should be reviewed and resolved timely.

(C) Accounting Records and Financial Information – The City Clerk’s financial reports to the City Council include receipts and disbursement by fund but do not include beginning and ending fund balances, individually or in total, or 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 are not maintained to facilitate the preparation of and support for the AFR.

Recommendation – Year-to-date totals of receipts by fund and source and 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 fund balances, both individual and in total, and comparisons of disbursements to the certified budget by function.

City of LeRoy

Detailed Recommendations

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

- (D) Local Option Sales Tax (LOST) – The LOST ballot requires 33.33% of LOST collections be allocated for the payment of fire protection, 33.33% for streets and 33.33% for human development. The City’s LOST receipts are credited to the General Fund and documentation is not maintained to support how the funds were used or the unspent balances held for the specified purposes.

Recommendation – The City should establish procedures to properly account for LOST receipts, disbursements and balances in accordance with the LOST ballot provisions.

- (E) Disbursements – Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for eleven of thirty transactions tested could not be located.

Recommendation – All disbursements should be supported by invoice or other supporting documentation.

- (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 was not 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 provisions of Chapter 12B.10B of the Code of Iowa. In addition, the City should adopt a resolution naming official depositories and the maximum deposit amount as required by Chapter 12C.2 of the Code of Iowa.

- (G) Investment Register – An accounting record/register is not maintained for each investment.

Recommendation – An accounting record/register for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number should be maintained.

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

- (I) City Council Meeting Minutes – The City does not post a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. In addition, City Council meeting minutes were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should post a summary of receipts and all minutes should be signed to authenticate the action taken, as required.

City of LeRoy

Detailed Recommendations

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

- (J) Surety Bond Coverage – The City does not maintain surety bond coverage for City officials and employees as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should comply with Chapter 64 of the Code of Iowa and obtain surety bond coverage, as required.

- (K) Compensation – The Mayor and City Council Member compensation was not established and approved by ordinance as required by Chapter 372.13(8) of the Code of Iowa. In addition, the City Clerk’s compensation approval was not included in the City Council meeting minutes.

Recommendation – The City should establish and approve the compensation for the Mayor and City Council Members by ordinance, as required. The City Clerk’s approved compensation should be documented in the City Council meeting minutes.

- (L) 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.

- (M) Checks Held – Three checks issued by the City were held for several months prior to delivering to the payee.

Recommendation – Checks issued by the City should be mailed or delivered to the payee immediately after issuance.

City of LeRoy

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager  
Steven O. Fuqua, CPA, Senior Auditor II  
Mallory A. Sims, Staff Auditor

  
Marlys K. Gaston, CPA  
Director