



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 3, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released a Report on the Status of Findings and Recommendations from the City of Harper's Periodic Examination Report dated December 15, 2014. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period December 1, 2015 through May 31, 2016.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight. While four of the eleven findings reported in the Periodic Examination Report dated December 15, 2014 have been corrected and one has been partially corrected, six of the eleven findings are repeated in this report and are reported as "not corrected". The City Council has not yet taken action to implement the recommendations pertaining to these remaining six findings.

A copy of the City of Harper's Report on the Status of Findings and Recommendations 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/1422-0503-EPFP>.

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CITY OF HARPER

**INDEPENDENT ACCOUNTANT'S REPORT
ON THE STATUS OF PERIODIC EXAMINATION
FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD
DECEMBER 1, 2015 THROUGH MAY 31, 2016**

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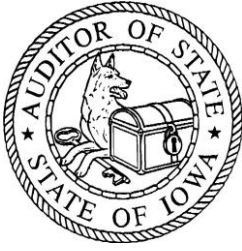
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City of Harper

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Bernard Greiner	Mayor	Jan 2016	Jan 2018
Connie Baker	Council Member	Jan 2014	Jan 2018
Kay Beinhart	Council Member	Jan 2014	Jan 2018
Heather Snedigar	Council Member	Jan 2014	Jan 2018
Randy Altenhofen	Council Member	Jan 2016	Jan 2020
Barb Gretter	Council Member	Jan 2016	Jan 2020
Niki Osweiler	City Clerk/Treasurer		Indefinite

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Independent Accountant's Report on the Status of Periodic
Examination Findings and Recommendations

To the Honorable Mayor and Members of the City Council:

The Office of Auditor of State issued a Periodic Examination Report dated December 15, 2014 on the City of Harper, Iowa covering the period November 1, 2013 through October 31, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.


This report includes the findings and recommendations from the City's Periodic Examination Report dated December 15, 2014 and the current status of the City's implementation of the recommendations included in that report.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

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 Harper and other parties to whom the City of Harper 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 Harper during the course of our follow-up procedures. Should you have 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 28, 2016

**Report on the Status of Periodic Examination
Findings and Recommendations**

City of Harper

Report on the Status of Periodic Examination Findings and Recommendations

For the Period December 1, 2015 through May 31, 2016

Findings Reported in the Periodic Examination Report dated December 15, 2014:

(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 and investments – 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 and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Journal entries – preparing and journalizing.

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.

Current Status – Not corrected. The recommendation is repeated.

(B) Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any are investigated and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

Current Status – Not corrected. The recommendation is repeated.

(C) 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 on September 25, 2002.

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

Current Status – Corrected. As of the date of this report, the City Clerk has implemented the Uniform Chart of Accounts for Iowa City Governments.

City of Harper

Report on the Status of Periodic Examination Findings and Recommendations

For the Period December 1, 2015 through May 31, 2016

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility Billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. 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.

Current Status – Not corrected. The recommendation is repeated.

- (E) 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 that 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.

Current Status – Corrected. On December 11, 2014, the City Council approved resolutions adopting an investment policy and an official depository, as required.

- (F) Monthly City Clerk's Report – The Monthly City Clerk's Report presented to the City Council does not include a comparison of budgeted disbursements by function to actual disbursements and there is no evidence of review by the City Council.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function. A member of the City Council should review the City Clerk's monthly reports and document the review by signing or initialing and dating the report.

Current Status – Partially corrected. For the period reviewed, the City Clerk provided the City Council and Mayor with monthly reports showing disbursements compared to the budgeted amounts by function. However, there is no evidence the report is reviewed by the City Council. The recommendation is partially repeated.

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

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

Current Status – Corrected. For the period reviewed, invoices and other supporting documentation were available to support disbursements tested.

City of Harper

Report on the Status of Periodic Examination Findings and Recommendations

For the Period December 1, 2015 through May 31, 2016

(H) Timesheets – Timesheets are not completed by the City Clerk.

Recommendation – Timesheets should be completed by all employees and signed by the employee and the Mayor.

Current Status – Not corrected. The recommendation is repeated.

(I) Payroll – The approval of the City Clerk’s salary was not documented in the City Council meeting minutes.

Recommendation – The approval of employee salaries should be documented in the City Council meeting minutes.

Current Status – Corrected. On March 3, 2016, the City Council approved the City Clerk’s compensation for fiscal year 2017. The approval was by resolution and was properly documented in the minutes record.

(J) Journal Entries – Supporting documentation was not maintained for journal entries. Additionally, journal entries are not approved.

Recommendation – Supporting documentation should be maintained which substantiates all journal entries. Journal entries should be approved by an independent person and the approval should be documented by the signature or initials of the approver and the date of approval.

Current Status – Not corrected. The recommendation is repeated.

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

Recommendation – Pre-numbered receipts should be issued and maintained for all collections. In addition, City officials should ensure someone independent of the preparation of receipts and bank deposits periodically compares the receipts to the amounts deposited to the bank.

Current Status – Not corrected. The recommendation is repeated.

City of Harper

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager
Joshua W. Ostrander, Senior Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA
Director