



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 30, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Webb, Iowa for the period July 1, 2015 through June 30, 2016. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its internal controls to obtain the maximum internal control possible and establish procedures to ensure bank and utility reconciliations are completed monthly and are independently reviewed.

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/1622-0181-EPOP>.

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CITY OF WEBB

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

**FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016**

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City of Webb

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jack Sylvester	Mayor	Jan 2016	Jan 2018
Robert Fritz	Council Member	Jan 2014	Jan 2018
Bradley Green	Council Member	Jan 2014	Jan 2018
Lynn Meyer	Council Member	Jan 2014	Jan 2018
Thomas Hansen	Council Member	Jan 2016	Jan 2020
Adam Spooner	Council Member	Jan 2016	Jan 2020
Angela Smith	City Clerk/Treasurer		Indefinite

City of Webb



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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 Webb for the period July 1, 2015 through June 30, 2016. The City of Webb'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 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 transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 Webb, 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 Webb and other parties to whom the City of Webb 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 Webb 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

July 14, 2016

Detailed Recommendations

City of Webb

Detailed Recommendations

For the period July 1, 2015 through June 30, 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) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
 - (2) Cash – handling, reconciling and recording.
 - (3) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
 - (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining accounts receivable records.
 - (6) Computer system – performing all general accounting functions and controlling all data input and output.
 - (7) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (8) Payroll – entering rates in the system, recordkeeping, preparing and distributing.
 - (9) Financial reporting – preparing and reconciling.
 - (10) Journal entries – preparing and journalizing.

For the City of Webb Fire Department and the City of Webb Library accounts, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash – handling, reconciling and recording.

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 and investment balances in the general ledger were not reconciled to bank and investment account balances for all months throughout the year for both the City and the Library accounts. In addition, bank reconciliations are not independently reviewed.

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

City of Webb

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (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.

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

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Reconciliations of utility billings, collections and delinquent accounts were not reviewed by an independent person.

Recommendation – Procedures should be established to have an independent person or a City Council member review the reconciliations and monitor delinquent accounts each month. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (E) Separately Maintained Records – The City Fire Department maintains separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

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 reported to the City Council on a monthly basis.

- (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 the fire department account.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (G) Investments – An accounting register is not maintained for each investment. In addition, the City has adopted an investment policy, however it does not identify allowable types of investments in accordance with Chapter 12B.10 of the Code of Iowa.

Recommendation – An accounting register should be maintained for each investment which includes cost, description, date purchased, interest rate, maturity date and identifying number. An investment policy should be adopted which identifies allowable types of investments in accordance with Chapter 12B.10 of the Code of Iowa.

- (H) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

City of Webb

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (I) City Fire Department – The Fire Department uses a check register to track account activity. However, receipts are not recorded in the check register so a book balance is not maintained. In addition, book balances are not reconciled to bank balances.

Recommendation – Receipts should be recorded in the check register. In addition, the Fire Department should establish procedures to ensure bank balances are reconciled to the check register monthly. Variances, if any, should be reviewed and resolved timely.

- (J) Monthly City Clerk’s Report – The monthly City Clerk’s report presented to the City Council for approval does not include beginning and ending balances for each fund. In addition, a comparison of total disbursements to the certified budget by function is not prepared.

Recommendation – The City Clerk should prepare a monthly City Clerk’s report which includes beginning and ending balances for each fund and comparisons of total disbursements by function to the certified budget.

- (K) Disbursements – For 5 of 30 transactions tested, supporting documentation was not maintained.

Recommendation – The City should maintain supporting documentation for all disbursements.

- (L) Payroll – Timesheets are not required for all City employees. Also, while Library employees submit timesheets, the timesheets do not include evidence of supervisory review.

Recommendation – Timesheets should be required for all employees and 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.

- (M) Annual Financial Report - The fiscal year 2015 Annual Financial Report (AFR) beginning balances for the governmental and proprietary activities did not agree to the prior year ending balances reported in the fiscal year 2014 AFR. In addition, total expenditures were understated by \$1,660 when compared to the City’s records and \$779 of expenditures were reported in an incorrect function. Also, total receipts were understated by \$5,445 when compared to the City’s records.

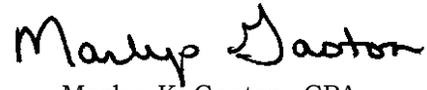
Recommendation – The City should ensure the AFR beginning balances agree with the prior year ending balances and amounts reported agree with the City’s records.

City of Webb

Staff

This engagement was performed by:

Jennifer L. Wall, CPA, Manager
April D. Harbst, Senior Auditor
Premnarayan Gobin, Assistant 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