

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

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

July 5, 2017

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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 Tiffin, 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 control procedures to obtain the maximum internal control possible. The City should also ensure bank and investment balances are reconciled to the general ledger monthly and should comply with budget amendment requirements of Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

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/1621-0490-BLOF>.

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**CITY OF TIFFIN**

**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 Tiffin**

**Officials**

**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Berner	Mayor	Jan 2018
Michael C. Ryan	Mayor Pro-Tem	Jan 2016
Peggy Knowling Upton	Council Member	Jan 2016
James R. Bartels	Council Member	Jan 2018
Joan F. Kahler	Council Member	Jan 2018
Mark Peterson	Council Member	(Resigned Jan 2015)
Oliver A. Havens (Appointed Jan 2015)	Council Member	Nov 2015
Doug Boldt	City Clerk/Administrator	Indefinite
Robert Michael	Attorney	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Berner	Mayor	Jan 2018
James R. Bartels	Council Member	Jan 2018
Oliver A. Havens	Council Member	Jan 2018
Joan F Kahler	Council Member	Jan 2018
Michael C. Ryan	Mayor Pro-Tem	Jan 2020
Peggy Knowling Upton	Council Member	Jan 2020
Doug Boldt	City Clerk/Administrator	Indefinite
Robert Michael	Attorney	Indefinite

**City of Tiffin**



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Independent Accountant's Report on Applying Agreed-Up 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 Tiffin for the period July 1, 2015 through June 30, 2016. The City of Tiffin'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 2016 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 tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
14. 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.
15. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
16. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
17. 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 Tiffin, 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 Tiffin and other parties to whom the City of Tiffin 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 Tiffin 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

December 22, 2016



## **Detailed Recommendations**

City of Tiffin

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) Cash – handling, reconciling and recording.
  - (2) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
  - (3) Receipts – opening mail, collecting, depositing, recording and reconciling.
  - (4) Debt – recordkeeping, compliance and debt payment processing.
  - (5) Journal entries – preparing and recording.
  - (6) Disbursements – purchasing, invoice processing, check writing, mailing, 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 City’s general ledger were not reconciled to bank and investment balances throughout the year. The City’s general ledger balance and bank balance were \$4,059,016 and \$4,020,635, respectively, at June 30, 2016, a variance of \$38,381. We were unable to determine the reason for the variance.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances 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.

- (C) 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 of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review.

City of Tiffin

Detailed Recommendations

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

- (D) Accounting Policies and Procedures Manual – The City does not have an 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.

- (E) Journal Entries – Supporting documentation was not maintained for journal entries. In addition, journal entries were not reviewed and approved by an independent person.

Recommendation – Supporting documentation should be maintained to substantiate all journal entries. An independent person should review and approve journal entries. Approval should be documented by the signature or initials of the reviewer and the date of the review.

- (F) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published, including total disbursements by fund and a summary of all receipts. Minutes publications for four of four meetings tested did not include a summary of all receipts and two of four meetings tested did not include total disbursements by fund.

Recommendation – The City should comply with the Code of Iowa and ensure published minutes include a summary of all receipts and total disbursements by fund, as required.

- (G) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety and debt service functions prior to the budget amendment. Disbursements at year end exceeded the amounts budgeted in the general government and debt service functions. 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.

- (H) Annual Urban Renewal Report – The beginning balance, receipts and disbursements reported on the 2015 Levy Authority Summary do not agree with the City’s records.

Recommendation – The City should ensure the amounts reported on the Levy Authority Summary agree with the City’s records.

City of Tiffin

Detailed Recommendations

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

- (I) Tax Increment Financing – During fiscal year 2014, the City transferred \$3.4 million of unspent bond proceeds from the Capital Projects Fund to the Special Revenue, Tax Increment Financing (TIF) Fund to cover \$2,520,315 of project costs associated with urban renewal projects in the TIF district. In accordance with Chapters 403.19(10)(b) and 403.22 of the Code of Iowa, the TIF Fund may only be used for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable low-to-moderate income assistance, not for project costs. The transfer resulted in an excess TIF Fund balance at June 30, 2014. As of June 30, 2015 a corrective transfer had not been made. However, during fiscal year 2016, in an effort to eliminate the excess balance, the City transferred \$879,685 of remaining unspent bond proceeds and \$716,650 of TIF receipts from the TIF Fund to various other funds. According to City personnel, the unspent bond proceeds were transferred to cover project costs paid from those funds. The TIF receipts were transferred pursuant to City Resolution 2015-086 approving interfund loans for TIF projects. However, the amounts transferred to repay the interfund loans did not agree with the approved Resolution and the City was unable to support the transfers, including the transfers of unspent bond proceeds.

Recommendation – The City should review the transfers for propriety and document support for the amounts transferred. The transfers of unspent bond proceeds should be supported by project costs, to the voucher level, and should represent costs for which the proceeds can be used, subject to the terms of the original bond issue. Funds transferred which do not represent allowable use, if any, should be transferred to the Debt Service Fund to retire the bonds. The transfers of TIF receipts should be supported by and agree to the transfers approved by the City Council in Resolution 2015-086.

- (J) Separately Maintained Records – The City has an annual festival referred to as Tiffifest. The Tiffifest Committee has a separate board and maintains a bank account separate from the City Clerk’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 annual budget and should reported to the City Council on a monthly basis.

- (K) Revenue Bonds – The following instances of non-compliance with revenue bond requirements were noted:

- The City does not pay for sewer and water usage as required by the revenue bond resolutions.
- While the City made principal and interest payments from sinking accounts, the City did not make monthly transfers to the sinking accounts as required by Section 10 of the sewer revenue bond resolution and section 8 of the water revenue bond resolution.

Recommendation – The City should make the required transfers to the sinking accounts and establish procedures to ensure all City departments are charged for water and sewer usage as required.

City of Tiffin

Detailed Recommendations

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

- (L) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report include a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...” The City’s 2016 Annual Financial Report reported receipts and ending fund balances which do not agree with the City’s records.

Recommendation – The City should establish procedures to ensure the Annual Financial Report is accurate and agrees with the City’s records.

- (M) Deficit Fund Balance – The Special Revenue, Economic Development Fund had a deficit balance of \$70,132 at June 30, 2016.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

- (N) Public Library Support Levy – Chapter 384.12(2) of the Code of Iowa provides for a maximum levy of \$0.27 per \$1,000 of taxable valuation for support of a public library. In November 2001, the voters approved a public library support levy of \$0.10 per \$1,000 of taxable valuation. However, from fiscal year 2010 through fiscal year 2016, the City levied \$0.27 per \$1,000 of taxable valuation, \$0.17 per \$1,000 of taxable valuation in excess of the approved levy.

Recommendation – The City should consult legal counsel to determine the disposition of the incorrect levy for fiscal years 2010 through 2016.

- (O) Transfers – Transfers between funds were not approved by the City Council prior to the actual transfer.

Recommendation – The City Council should approve all fund transfers prior to the actual transfer and document approval and amount(s) as part of the minutes record.

- (P) Monthly City Clerk’s Reports – A monthly City Clerk’s report, including a summary of receipts, disbursements, transfers and balances by fund, is not prepared. In addition, a comparison of actual disbursements to the certified budget by function is not prepared and provided to the City Council for review.

Recommendation – The City Clerk should prepare a monthly City Clerk’s report which includes a summary of receipts, disbursements, transfers and balances by fund. In addition, 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 of actual disbursements to the certified budget by function. The City Council should review and approve the City Clerk’s report monthly.

City of Tiffin

Staff

This engagement was performed by:

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Jesse J. Harthan, Senior Auditor  
Kristin R. Finke, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director