



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

August 10, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Monroe, 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 comply with the budget amendment requirements of Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget. In addition, the City should make corrections to the tax increment financing debt certifications.

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/1621-0468-BLOF>.

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CITY OF MONROE

**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 Monroe

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brian Briles	Mayor	Jan 2016
Jeff Shannon	Council Member	Jan 2016
Sean Wilson	Council Member	Jan 2016
Alicia Hansen	Council Member	Jan 2018
Amber Nickelson	Council Member	Jan 2018
John Vriezelaar	Council Member	Deceased Jul 2015
Carol Ann Diekema (Appointed Aug 2015)	Council Member	Nov 2015
Jean Goematt (Elected Nov 2015)	Council Member	Jan 2018
Matthew Mardesen	City Administrator	Indefinite
Kim Thomas	City Clerk/Treasurer	Indefinite
Gil Caldwell, Caldwell & Brierly	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Douglas Duinink	Mayor	Jan 2018
Alicia Hansen	Council Member	Jan 2018
Amber Nickelson	Council Member	Jan 2018
Jean Goematt	Council Member	Jan 2018
Jeff Hegwood	Council Member	Jan 2020
Nate Bradbury	Council Member	Jan 2020
Matthew Mardesen	City Administrator	Indefinite
Kim Thomas	City Clerk/Treasurer	Indefinite
Gil Caldwell, Caldwell & Brierly	Attorney	Indefinite

City of Monroe



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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 Monroe for the period July 1, 2015 through June 30, 2016. The City of Monroe'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 general obligation debt 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 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.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 Monroe, 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 Monroe and other parties to whom the City of Monroe 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 Monroe 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

March 2, 2017

Detailed Recommendations

City of Monroe

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) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – collecting, recording, depositing, reconciling and maintaining accounts receivable records.
- (4) Debt – recordkeeping, compliance and payment processing.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.
- (7) Computer system – performing all general accounting functions, controlling all data input and output 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.

(B) Tax Increment Financing (TIF) Indebtedness Certification – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness.

The City certified the principal portion of its general obligation water improvement loan agreement, series 2015, to the County Auditor as a TIF obligation, but did not certify the \$103,980 interest portion of this obligation.

Recommendation – The City should certify the interest portion of the general obligation loan to the County Auditor.

(C) TIF Indebtedness Decertification – Based on review of the City's budgets for fiscal years ending June 30, 2012 through June 30, 2016, the City levied a debt service levy totaling \$130,000 to pay a portion of general obligation debt that had previously been certified to the County as TIF indebtedness. As a result, the City has certified in excess of the amount needed to pay the TIF indebtedness.

Recommendation- The City should decertify the portion of TIF indebtedness which has been paid from the debt service levy.

City of Monroe

Detailed Recommendations

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

- (D) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the health and social services, community and economic development and business type activities functions before the budget was amended on May 9, 2016. 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.

- (E) Reconciliation of Ambulance Billings, Collections and Delinquent Accounts – The City’s ambulance billings are prepared by another City. The ambulance billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not maintained and reviewed monthly.

Recommendation – Procedures should be established to reconcile ambulance billings, collections and delinquent accounts for each billing period. A listing of delinquent accounts should be maintained and reviewed monthly. 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.

- (F) Financial Condition – At June 30, 2016, the City had a deficit balance of \$7,897 in the Special Revenue, Tax Increment Financing Fund.

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

- (G) Fund Transfer – In May 2016, the City Council authorized a transfer of \$11,439 from the Special Revenue, Emergency Fund to the General Fund. The transfer was never posted to the City’s general ledger.

Recommendation – The City should transfer \$11,439 from the Special Revenue, Emergency Fund to the General Fund as authorized by the City Council.

- (H) Annual Urban Renewal Report – The City understated the amount reported as TIF debt outstanding on the fiscal year 2015 Annual Urban Renewal Report (AURR). A \$30,000 internal TIF loan was excluded from the AURR Levy Authority Summary.

Recommendation – The City should ensure the debt reported on the Levy Authority Summary is complete and accurate.

City of Monroe

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Adjoa S. Adanledji, Staff Auditor


Marlys K. Gaston, CPA
Director