



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

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Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

October 3, 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 Coppock, Iowa for the period January 1, 2016 through December 31, 2016. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City of Coppock review its control procedures to obtain the maximum internal controls possible. The City should also maintain its accounting records to facilitate fund accounting and prepare monthly City Clerk's reports for review and approval by the City Council.

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/1622-0410-EPOP>.

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**CITY OF COPPOCK**

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

**FOR THE PERIOD  
JANUARY 1, 2016 THROUGH DECEMBER 31, 2016**

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**City of Coppock**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Bob Schoolen	Mayor	Jan 2016	Jan 2020
Frank Nupp	Mayor Pro Term	Jan 2016	Jan 2020
Tracie Sedlacek	Council Member	Jan 2016	Jan 2020
Frank Nupp	Council Member	Jan 2016	Jan 2020
Dustin Palmer	Council Member	Jan 2016	Jan 2020
Kelly Hartzler	City Clerk/Treasurer		Indefinite
Jeff Powell	Attorney		Indefinite

**City of Coppock**



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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 Coppock for the period January 1, 2016 through December 31, 2016. The City of Coppock'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 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.
8. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.

9. 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.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. 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 Coppock, 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 Coppock and other parties to whom the City of Coppock 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 Coppock 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 9, 2017

## **Detailed Recommendations**

City of Coppock

Detailed Recommendations

For the period January 1, 2016 through December 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) Receipts – opening mail, collecting, depositing, reconciling and recording.
- (2) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (3) Payroll – recordkeeping, preparing and distributing.
- (4) 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. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

(B) Bank Reconciliations – Monthly bank reconciliations, including a list of outstanding checks, are not prepared.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should be prepared and independently reviewed.

(C) Financial Reporting – The City does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. Fund accounting is required as a means for the City to demonstrate compliance with legal requirements pertaining to the various funding sources of the City, including, but not limited to, road use tax and local option sales tax.

In addition, the City records disbursements in its general ledger when the check clears rather than when the check is issued.

Recommendation – The City should review the current financial accounting system and establish procedures to require and ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting. Disbursements should be recorded in the general ledger when the check is issued by the City.

(D) Annual Financial Report – The City incorrectly reported \$3,700 of disbursements in the fiscal year 2016 Annual Financial Report (AFR) in the business type activities function rather than the general government function. Also, the amounts included in the fiscal year 2016 AFR budget column do not agree with the fiscal year 2016 certified budget amounts.

Recommendation – The City should establish procedures to ensure the amounts reported in the AFR are accurate.

City of Coppock

Detailed Recommendations

For the period January 1, 2016 through December 31, 2016

- (E) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in business type activities function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual 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 budget.

- (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 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 which 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.

- (G) City Council Meeting Minutes – Minutes for one of four meetings tested were not properly signed as required by Chapter 380.7 of the Code of Iowa. In addition, the minutes publications tested did not include total disbursements from each fund, a list of all claims allowed, the reason for the claim or a summary of receipts as required by Chapter 372.13(16) of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and ensure all minutes are signed, as required. Also, the City Council minutes publications should include total disbursements from each fund, a list of all claims allowed, the reason for the claims and a summary of receipts.

- (H) Monthly City Clerk’s Report – A monthly City Clerk’s report, including a summary of receipts, disbursements, transfers and ending balances by fund, is not prepared and provided to the City Council. In addition, the City Council does not receive a comparison of disbursements to the certified budget by function.

Recommendation – The City Clerk should prepare monthly City Clerk’s reports which include 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 monthly City Clerk’s reports should include comparisons to the certified budget by function. The City Council should review and approve the City Clerk’s report monthly.

- (I) Timely Deposits – Three State of Iowa warrants paid to the City for road use tax receipts were not deposited timely. Two of the three warrants were out dated and were cancelled by the State.

Recommendation – The City should establish procedures to ensure receipts are deposited timely.

City of Coppock

Detailed Recommendations

For the period January 1, 2016 through December 31, 2016

- (J) Questionable Disbursement – A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Wolf Floral, Inc.	Flowers for death of former Mayor	\$ 54

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by the disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

- (K) Disbursements – Six of twenty-six disbursements tested were not supported by invoice or other supporting documentation. Also, two transactions tested included late fees totaling \$55.

Recommendation – All disbursements should be supported by invoices or other supporting documentation. The City should establish procedures to ensure all payments are made timely to avoid late fees.

- (L) Disbursement Approval – Eight of twenty-six disbursements tested were not included on the monthly claims listing provided to the City Council and, accordingly, were not approved by the City Council.

Recommendation – All disbursements should be approved by the City Council.

- (M) 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.

- (N) Property Tax Receipts – The City did not receive monthly tax orders supporting the tax apportionments from Jefferson County.

Recommendation – The City should request Jefferson County provide monthly tax orders to support tax apportionments and to facilitate the City’s proper recording of tax receipts.

City of Coppock

Detailed Recommendations

For the period January 1, 2016 through December 31, 2016

- (O) Debit Card – The City uses a debit card for certain City disbursements.

Recommendation – The City Council should prohibit the use of a debit card for City purchases. The function of a debit card is to provide immediate access to the City's funds. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no process for prior approval of purchases made with a debit card.

- (P) Payroll – Wages were not reported on IRS Forms W-2 and 941. Additionally, IRS Form 1099 was not prepared for contract labor paid in excess of \$600.

Recommendation – The City should ensure IRS Forms W-2, 941 and 1099 are properly completed and filed.

- (Q) City Council Pay – A City Council member was over paid \$16 because the number of City Council meetings attended was miscalculated.

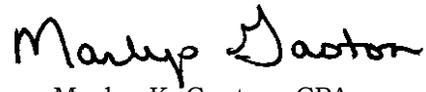
Recommendation – The City should make a correction for the over payment.

City of Coppock

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager  
Carolina M. Aviles, Staff 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