



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

November 29, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Stockport, Iowa for the period April 1, 2016 through March 31, 2017. 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, including independent review of reconciliations. In addition, the City should establish procedures to reconcile utility billings, collections and delinquent accounts for each billing period. The City should also comply with Chapter 384.18 of the Code of Iowa by amending its budget 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/1622-0861-EP0P>.

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CITY OF STOCKPORT

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

**FOR THE PERIOD
APRIL 1, 2016 THROUGH MARCH 31, 2017**

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City of Stockport

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jerry Leathers	Mayor	Jan 2016	Jan 2018
Ray Snyder	Council Member	Jan 2014	Jan 2018
Annie Buzzard	Council Member	Mar 2016	Nov 2017
Doug Blackwold	Council Member	Oct 2016	Nov 2017
Teresa Canaday	Council Member	Jan 2016	Jan 2020
Aaron Sheetz	Council Member	Jan 2016	Jan 2020
Haylee Stecker	City Clerk/Treasurer		Indefinite
John Morrissey	Attorney		Indefinite

City of Stockport



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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 Stockport for the period April 1, 2016 through March 31, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Stockport's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and 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 bond/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 receipts for accurate accounting and consistency with the recommended COA.
11. 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.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Stockport 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

November 9, 2017

Detailed Recommendations

City of Stockport

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

- (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, recording and reconciling.
 - (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
 - (6) Long-term debt – recordkeeping, compliance and debt payment processing.
 - (7) Journal entries – preparing and recording.
 - (8) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (9) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
 - (10) Financial reporting – preparing and reconciling.
 - (11) Computer system – performing all general accounting functions and controlling all data input and output.

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 – Although monthly bank reconciliations were prepared for the City's checking account, a complete reconciliation, including investments, was not prepared and a list of outstanding checks was not maintained. In addition, the bank reconciliations are not independently reviewed.

Recommendation – Monthly outstanding check listings should be prepared and retained. Also, the City 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 Stockport

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – While utility billings, collections and delinquent accounts were reconciled monthly, there is no evidence of independent review of the utility reconciliations.

Recommendation – 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.

- (D) 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.

- (E) Financial Condition – At June 30, 2016, the City had deficit balances of \$4,401 and \$1,837 in the Enterprise, Sewer and Waste Funds, respectively. At March 31, 2017, the balances in the Enterprise, Sewer and Waste Funds were \$3,092 and a deficit of \$849, respectively. The Enterprise, Water Fund also had a deficit balance of \$2,166 at March 31, 2017.

Recommendation – The City should investigate alternatives to eliminate the deficits to return the funds to a sound financial condition.

- (F) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public works, community and economic development and business type activities 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.

- (G) Monthly City Clerk’s Report – The monthly City Clerk’s report presented to the City Council for approval does not include transfers for each fund or a comparison of total disbursements to the certified budget by function.

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

- (H) City Council Meeting Minutes – The following conditions related to City Council meeting minutes were noted:

- (1) Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. For two of four meeting minutes tested, minutes were not published within fifteen days of the meeting.
- (2) Chapter 21.3 of the Code of Iowa requires minutes show information sufficient to indicate the vote of each member present. For one of four meeting minutes tested, the meeting minutes did not include information sufficient to indicate the vote of each member present.

City of Stockport

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

Recommendation – The City should comply with the Code of Iowa and document information sufficient to indicate the vote of each member present and ensure all meeting minutes are published timely.

(I) Payroll – The following conditions related to payroll were noted:

- (1) The City Clerk’s approved salary was found in support attached to the City Council meeting minutes maintained by the City Clerk, but was not documented in the City Council meeting minutes.
- (2) For one of four timesheets tested, the timesheet was not signed by the employee.
- (3) Timesheets were not prepared by salaried employees.
- (4) Timesheets do not include evidence of supervisory review.

Recommendation – Approved salary and wage rates for all employees should be documented in the City Council meeting minutes. Timesheets should be prepared by all employees and signed by the employee. Timesheets should be reviewed and approved by appropriate supervisory personnel or City officials prior to the preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review.

(J) Deposits and Investments – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. In addition, the City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. Also, an accounting register is not maintained for each investment.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council, as required. The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. In addition, an accounting register should be maintained for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number.

(K) Petty Cash – The City maintains a change fund for which no authorization could be located.

Recommendation – The change fund should be formally authorized by the City Council.

(L) 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.

(M) Separately Maintained Records – The City Library maintains a certificate of deposit that is 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.

City of Stockport

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

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

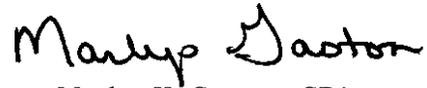
Recommendation – An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

City of Stockport

Staff

This engagement was performed by:

Jennifer L. Wall, CPA, Manager
Anthony J.T. Mallie, CPA, Staff Auditor
Kristin R. Finke, 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