

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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

December 26, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Geneva, 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 and establish procedures to reconcile utility billings, collections and delinquent accounts. The City should also amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget and ensure the published meeting minutes including total disbursements from each fund and a summary of all receipts in accordance with Chapter 372.13(6) of the Code of Iowa.

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/1622-0332-EPOP>.

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CITY OF GENEVA

**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 Geneva

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Sean Porter	Mayor	Jan 2016	Jan 2018
Brody Bertram	Council Member	Jan 2016	Jan 2018
Stephen Love	Council Member	Jan 2016	Jan 2018
Todd Pilchard	Council Member	Jan 2016	Jan 2018
Raymond Silver	Council Member	Jan 2016	Jan 2018
James Zacharias	Council Member	Jan 2016	Jan 2018
Erica Nolte	City Clerk/Treasurer		Indefinite
Brian D. Miller	Attorney		Indefinite

City of Geneva



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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 Geneva 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 Geneva'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 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.

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 Geneva 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

October 30, 2017

Detailed Recommendations

City of Geneva

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) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (3) Disbursements – purchasing, invoice processing, check writing, check signing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Accounting System – Performing all general accounting functions and having custody of assets.
- (8) Bank reconciliations – Although prepared monthly, there is no independent review of the bank reconciliations.

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) Payroll – Timesheets were not maintained for all employees and there is no independent review of timesheets that were completed. We could not locate City Council approval for the City Clerk or the City Water Superintendent pay rates.

Recommendation – Timesheets should be prepared by all employees. All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. The City Council should approve pay rates for all City employees. The approval should be documented in the minutes record.

(C) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies and procedures for:

- Password privacy and confidentiality.
- Requiring password changes because the software does not require the user to change log-ins/passwords periodically.
- Requiring backups be performed daily and stored off site.

Also, the City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop written policies and procedures addressing the above items to improve the City’s control over its computer system. Also, a written disaster recovery plan should be developed and tested periodically.

City of Geneva

Detailed Recommendations

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

- (D) Bank Reconciliations – Although monthly bank reconciliations were prepared for individual accounts they were not reconciled to book balances. At June 30, 2016, the City’s general ledger was \$1,966 less than the reconciled bank and investment balance. In addition, there was no evidence of review by an independent person.

Recommendation – 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. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- (E) Monthly City Clerk’s Report – The monthly City Clerk’s Report presented to the City Council for approval does not include a comparison of actual disbursements to budget by function.

Recommendation – The City should ensure the monthly City Clerk’s Reports presented to the City Council for approval include a comparison of actual disbursements to budget by function.

- (F) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. 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 should be documented by the signature or initials of the reviewer and the date of the review.

- (G) 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.

- (H) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings, including the total disbursements from each fund, a list of claims allowed, the reason for the claims and a summary of all receipts, be published within fifteen days of the meeting. Minutes publications for all meetings tested did not include total disbursements from each fund and a summary of all receipts.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and publish City Council meeting minutes, including total disbursements from each fund and a summary of all receipts, as required.

City of Geneva

Detailed Recommendations

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

- (I) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety, culture and recreation and general government 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.

- (J) Annual Financial Report – The fiscal year 2016 Annual Financial Report (AFR) total receipts, disbursements and balances do not agree with the City’s financial records. No supporting documentation was maintained by the City for reported amounts. In addition, the beginning balances did not agree with the prior year ending balances. The City moved a prior year negative Proprietary Fund balance to the Governmental Funds without documentation of an approved transfer or journal entry.

Recommendation – The City should ensure the AFR receipts, disbursements and balances agree with the City’s financial records and all transfers and/or journal entries are properly approved.

- (K) Local Option Sales Tax – Local option sales tax (LOST) receipts were recorded in the General Fund. The ballot establishing the local option sales tax requires 100% of the receipts to be used for infrastructure. The City has not been tracking the use of LOST receipts.

Recommendation – The City should establish procedures to track LOST receipts and disbursements to ensure the funds are spent in accordance with the ballot provisions.

- (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 for several bank accounts.

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.

- (M) Transfers – The City transfers money to and from various funds periodically. However, the transfers were not always 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 transfer amounts as part of the minutes record.

- (N) Debit Cards – The City has a debit card available for use by the Mayor and City Clerk while on City business.

Recommendation – The City Council should prohibit the use of debit cards 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.

City of Geneva

Detailed Recommendations

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

- (O) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

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

City of Geneva

Staff

This engagement was performed by:

Deborah J. Moser, CPA, Manager
Preston R. Grygiel, Staff Auditor
Taryn M. Plunkett Assistant Auditor


Marlys K. Gaston, CPA
Director