

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 16, 2018

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Boyden, Iowa for the period January 1, 2017 through December 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. The City should also establish procedures to ensure bank and investment balances are reconciled to the general ledger monthly and utility billings, collections and delinquent accounts are reconciled for each billing period. In addition, the City should amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceed budgeted amounts and investigate alternatives to eliminate deficit balances.

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/1721-0799-EP0P>.

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CITY OF BOYDEN
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JANUARY 1, 2017 THROUGH DECEMBER 31, 2017

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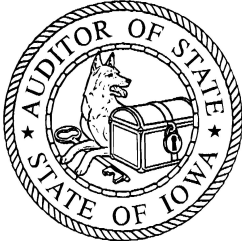
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City of Boyden

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Laryl Koerselman	Mayor	Jan 2018	Jan 2020
Bob Koerselman	Council Member	Jan 2016	Jan 2020
Kim Ochsendorf	Council Member	Jan 2016	Jan 2020
Art Van Bruggen	Council Member	Jan 2016	Jan 2020
Justin Beukelman	Council Member	Jan 2018	Jan 2022
Dale Winter	Council Member	Jan 2018	Jan 2022
Tami Kamies	City Clerk/Treasurer		Indefinite
Philip De Koster	Attorney		Indefinite

City of Boyden



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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 Boyden for the period January 1, 2017 through December 31, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Boyden'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 2017 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 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.

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 Boyden 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

February 22, 2018

Detailed Recommendations

City of Boyden

Detailed Recommendations

For the period January 1, 2017 through December 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) Investments – recordkeeping, custody of investments and reconciling earnings.
 - (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
 - (4) Debt – recordkeeping, compliance and debt payment processing.
 - (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (6) Payroll – recordkeeping, preparing and distributing.
 - (7) Utilities – billing, collecting, depositing and posting.

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 account balances throughout the year. Although the City’s accounting software can produce a report called “Bank Cash Report” which may be used as a bank to book reconciliation. The City does not print this report and verify bank statement balances or reconciling items monthly and there is no evidence the report is reviewed by an independent person. In addition, the “Bank Cash Report” does not include the City’s certificate of deposit (CD) or one of the City’s savings accounts. The City prepares no other form of bank reconciliation. For one of the two months tested (June 2017), the book and bank balance, including CDs, did not reconcile. The bank balance was \$3,700 higher than the book balance.

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. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

City of Boyden

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

- (C) Financial Condition – At June 30, 2017, the City had deficit balances in the following funds:

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Road Use Tax	\$ 15,485
Risk Management	275
Debt Service	142,070
Capital Projects	169,959
Enterprise:	
Water	79,168
Sewer	21,486

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

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

- (E) Financial Reporting – A monthly City Clerks report, including a summary of beginning balances, receipts, disbursements, transfers and ending balances by fund and a comparison of total disbursements for all funds to the certified budget by function is not prepared.

In addition, the City’s beginning balance reported on the fiscal year 2017 Annual Financial Report (AFR) is \$114,591 higher than the ending balance reported on the fiscal year 2016 AFR and \$130,526 higher than the City’s general ledger balance.

Recommendation – To provide better financial information and control, the City Clerk should prepare a monthly City Clerk’s report which includes a summary of beginning balances, receipts, disbursements, transfers and ending balances by fund and a comparison of total disbursements for all funds by function to the certified budget. In addition, the City should establish procedures to ensure the AFR balances and other activity agree with the general ledger.

- (F) Deposits and Investments – The City has adopted a resolution naming the official depositories. However, the maximum allowed deposit amounts were not specified in the resolution as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – 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.

City of Boyden

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

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

In addition, Chapter 380.7 of the Code of Iowa requires minutes of all City Council proceedings be signed. One of four minutes tested was not signed.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, including total disbursement from each fund, a list of claims allowed and a summary of receipts, as required. In addition, the City should ensure all City Council meeting minutes are signed to authenticate the actions taken.

- (H) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the public safety and public works 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.

- (I) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Art Van Brugeen, Council Member, owner of Van Bruggen & Vande Vegte	Professional tax and accounting services	\$ 7,601

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (J) Disbursements – A disbursement listing is attached to meeting agendas and provided to City Council members at the monthly City Council meetings. However, there is no evidence that the claims are approved by the City Council.

Recommendation – All disbursements should be approved by the City Council and that approval should be documented in the minutes.

City of Boyden

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

- (K) Payment of General Obligation Bonds – Principal and interest on the City’s general obligation debt were not consistently paid out of the debt service fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer funds to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- (L) Annual Urban Renewal Report – The expenditures reported on the Levy Authority Summary did not include principle and interest payments of \$17,571 and \$1,429, respectively, on the Twin Court loan. The ending cash balance, including the LMI balance, of the Special Revenue, Tax Increment Fund reported on the Levy Authority Summary did not agree with the City’s records by \$35,869 and \$11,620, respectively. In addition, the TIF debt outstanding on the Levy Authority Summary did not agree with City records.

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

- (M) Prenumbered Receipts – The City issues pre-numbered receipts for all collections, however, the numerical sequence is not accounted for.

Recommendation – An independent person should account for the numerical sequence of prenumbered receipts.

- (N) Restrictive Endorsement – A restrictive endorsement is not placed on checks immediately upon receipt.

Recommendation – A restrictive endorsement should be placed on all checks when received to help provide protection in case of theft or loss.

- (O) Payroll – Timesheets did not include evidence of supervisory review and approval. In addition, wage increases were approved based upon a percentage and the actual approved wages were not documented in the City Council meeting minutes.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. In addition, procedures should be established to ensure all pay increases and the actual wages to be paid are adequately documented in the City Council meeting minutes.

- (P) Investment Register – An accounting record/register is not maintained for each investment.

Recommendation – An accounting record/register for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number should be maintained.

City of Boyden

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

- (Q) Change/Petty Cash Fund – The City maintains a change/petty cash fund for which no authorization could be located. In addition, the City's change/petty cash fund was not included in the City's accounting records and resulting fund balances.

Recommendation – The change/petty cash fund should be formally authorized by the City Council and should be maintained on an imprest basis to provide additional control over the fund. 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 funds and accounts, including the change/petty cash fund, should be included in the City's accounting records and resulting fund balances.

- (R) Journal Entries and Transfers – Journal entries made directly to the general ledger, including interfund transfers, were not approved by the City Council.

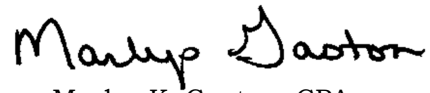
Recommendation – The City Council should review and approve all journal entries and transfers and ensure they are reasonable and supported.

City of Boyden

Staff

This engagement was performed by:

Deborah J. Moser, CPA, Manager
Ryan J. Pithan, CPA, Senior Auditor II
Nicole G. Benson, 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