



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

December 28, 2018

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Buffalo, 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 control possible. The City should also establish procedures to ensure utility reconciliations are performed monthly and are independently reviewed. In addition, the City should establish procedures to ensure bank reconciliations of all City accounts are performed monthly and are independently reviewed.

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/audit-reports/>.

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CITY OF BUFFALO

**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 Buffalo

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Anderson	Mayor	Jan 2018
Joan Marie Hammons	Council Member/Mayor Pro-tem	Jan 2016
Dave Stickrod	Council Member	Jan 2016
Art Bartleson	Council Member	Jan 2018
Olin Meador	Council Member	Jan 2018
Sally Rodriguez	Council Member	Jan 2018
Tanna Leonard	City Clerk/Treasurer	Indefinite
Riki Harrington	Deputy City Clerk	Indefinite
William McCullough	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Anderson	Mayor	Jan 2018
Olin Meador	Council Member/Mayor Pro-tem	Jan 2018
Art Bartleson	Council Member	Jan 2018
Sally Rodriguez	Council Member	Jan 2018
Joe Buffington	Council Member	Jan 2020
Dave Stickrod	Council Member	Jan 2020
Tanna Leonard	City Clerk/Treasurer	Indefinite
Riki Harrington	Deputy City Clerk	Indefinite
William McCullough	Attorney	Indefinite

City of Buffalo



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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 Buffalo for the period July 1, 2015 through June 30, 2016. The City of Buffalo'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 2015 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 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 Buffalo 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

September 15, 2016

Detailed Recommendations

City of Buffalo

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) Debt – recordkeeping, compliance and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – comparing time records to payroll.
- (8) 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 – The City performed bank reconciliations for the general checking account, but other cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances. Also, no independent review of the bank reconciliation is performed. The City’s cash balance at June 30, 2016, was overstated by \$2,878 due to recording a receipt twice.

Recommendation – The City should establish procedures to ensure the general ledger is reconciled to all bank and investment account balances monthly. Consultation with the software provider is suggested, if needed, to understand how to generate the reconciling reports for all bank accounts. An independent person should review the reconciliations and document the review by signing or initially and dating the monthly reconciliation.

(C) Financial Condition – At June 30, 2016, the City had the following deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Special Revenue, Buffalo Days	\$ 5,302
Special Revenue, Employee Benefits	187,259
Enterprise, Water	226,414
Enterprise, Sewer	483,313
Enterprise, Storm Sewer	1,369

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

City of Buffalo

Detailed Recommendations

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

- (D) 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. The City’s delinquent account balance at June 30, 2016 was significant, totaling \$26,738.

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

Recommendation – The City Clerk should prepare a monthly City Clerk’s report which includes a summary of receipts, disbursements and beginning and ending balances by fund. The City Council should review and approve the City Clerk’s report monthly. Monthly reporting to the City Council should also include comparisons of actual disbursements to the certified budget by function.

- (F) 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 a summary of all receipts. For the publications tested, a summary of all receipts was not published.

Recommendation – The City should comply with the Code of Iowa and publish a summary of all receipts.

- (G) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted prior to the budget amendment in the public works, culture and recreation, community and economic development and debt service 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.

- (H) Payment of General Obligation Bonds – Principal and interest on the City’s general obligation sanitary sewer bonds were paid from the Enterprise, Sewer 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 from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

City of Buffalo

Detailed Recommendations

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

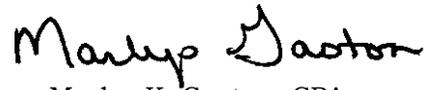
- (I) Journal Entries – Journal entries are not reviewed and approved by an independent person.
Recommendation – An independent person should review and approve journal entries. The approval should be documented by signing or initialing and dating the journal entries.
- (J) Transfers – During the fiscal year, the City Council approved a transfer from the Special Revenue, Local Option Sales Tax Fund to the Special Revenue, Road Use Tax Fund (RUT Fund) for \$52,715. However, the transfer was made to the General Fund rather than the RUT Fund. After discussion with the City, the City made a corrective transfer from the General Fund to the RUT Fund.
Recommendation – Transfers should be reviewed by an independent person and compared to the approved transfers to ensure accuracy.
- (K) 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.
- (L) Penalty – A City Council Member’s utility account was not assessed penalty for a late payment made for the May 2016 billing.
Recommendation – The City should establish procedure to ensure penalties are assessed on all delinquent accounts in accordance with City Policy.

City of Buffalo

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager
Sarah J. Swisher, Senior Auditor
Jacob N. Bennett, 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