



**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

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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 Buffalo, Iowa for the period July 1, 2016 through June 30, 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 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, 2016 THROUGH JUNE 30, 2017**

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**City of Buffalo**

**Officials**

<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, 2016 through June 30, 2017. 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 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 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 13, 2018



## **Detailed Recommendations**

City of Buffalo

Detailed Recommendations

For the period July 1, 2016 through June 30, 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, investing, custody of investments and reconciling earnings.
- (3) Debt – recordkeeping, compliance and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) 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 – While the City reconciled their general checking account, additional cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year. For the two months reviewed, the bank and book balances of the general checking account did not properly reconcile. Variances of \$70 and \$160 were not resolved. In addition, the November 2016 outstanding check listing included two checks which were issued after November 2016. Also, an independent review of the bank reconciliations is not performed.

Recommendation – The City should establish procedures to ensure the general ledger is reconciled to all bank and investment account balances monthly. Variances, if any, should be reviewed and resolved timely. 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, 2017, the City had deficit fund balances of \$199,021 and \$457,287 in the Enterprise, Water and Sewer Funds, respectively.

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. The City’s delinquent balance for active accounts at June, 30, 2017 was significant, totaling \$31,534. In addition, the delinquent balance at June 30, 2017 for inactive accounts was \$29,912.

City of Buffalo

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

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. The City should implement procedures to collect receivables from active and inactive utility accounts.

- (E) 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. Additionally, a budget to actual comparison is not maintained and provided to the City Council.

Recommendation – The City Clerk should prepare a monthly City Clerk’s report which includes a summary of receipts, disbursements, transfers 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 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 total disbursements from each fund and a summary of all receipts. For three of the four meeting minutes publications tested, a summary of all receipts was not included. For the remaining minutes tested, a summary of receipts was published but was not published timely. Additionally, for one of four publications tested, the publication did not include total disbursements from each fund.

Recommendation – The City should comply with the Code of Iowa and include a summary of all receipts and total disbursements from each fund in the published meeting minutes.

- (G) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the public works and culture and recreation functions prior to budget amendment. 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 – The December 2016 interest on the City’s general obligation sanitary sewer bonds was 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.

- (I) Journal Entries – Supporting documentation was not always retained for journal entries. Additionally, journal entries are not reviewed and approved by an independent person.

City of Buffalo

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

Recommendation – The City should retain supporting documentation for all journal entries. An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

- (J) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires the City to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. At June 30, 2017, the City held a \$239 outstanding check which was outstanding for more than two years and did not remit it to the Office of Treasurer of State.

Recommendation – Outstanding obligations should be reviewed and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

- (K) Disbursements – For two of five disbursements tested from the Bingo checking account were not included in the monthly claims listing and were not approved by the City Council.

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

- (L) Payroll – Three of eight employee timesheets tested were not approved by the Mayor.

Recommendation – The Mayor should review and approve all timesheets.

- (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.

City of Buffalo

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager  
Sarah J. Swisher, Staff Auditor  
Luke M. Bormann, CPA, Staff Auditor

  
Marlys K. Gaston, CPA  
Director