

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

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

March 29, 2019

---

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Manly, Iowa for the period July 1, 2017 through June 30, 2018. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand recommended the City review its control procedures to obtain the maximum internal control possible, including procedures to reconcile utility billings, collections and delinquent accounts 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 are allowed to exceed the budget.

A copy of the agreed-upon procedures report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

# # #

**CITY OF MANLY**  
**AUDITOR OF STATE'S INDEPENDENT REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2017 THROUGH JUNE 30, 2018**

## Table of Contents

	<u>Page</u>
Officials	3
Auditor of State’s Independent Report on Applying Agreed-Upon Procedures	5-6
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A      8
Reconciliation of Utility Billings, Collections and Delinquent Accounts	B      8
Bank Reconciliation	C      8-9
Transfers	D      9
Certified Budget	E      9
Financial Condition	F      9
Annual Financial Report	G      9
Tax Increment Financing Interest	H      9
Computer System	I      9
Unclaimed Property	J      10
Staff	11

**City of Manly**

**Officials**

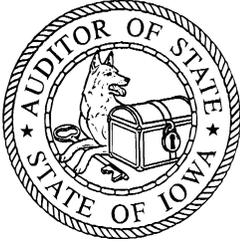
**(Before January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lon Badker	Mayor	Jan 2018
Scott Heagel	Mayor Pro tem	Jan 2020
Regan Banks (Elected Jan 2017)	Council Member	Jan 2018
Priscilla Ferden	Council Member	Jan 2018
Steve Leake	Council Member	Jan 2018
Joe Ryan	Council Member	Jan 2020
Dee Dunbar	City Clerk/Treasurer	Indefinite
Tom Meyer	Attorney	Indefinite

**(After January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Regan Banks	Mayor	Jan 2020
Scott Heagel	Mayor Pro tem	Jan 2020
Joe Ryan	Council Member	Jan 2020
Marc Behrends	Council Member	Jan 2022
Mary Durner	Council Member	Jan 2022
Amy Durgin	Council Member	Jan 2022
Dee Dunbar	City Clerk/Treasurer	Indefinite
Tom Meyer	Attorney	Indefinite

**City of Manly**



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

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Manly for the period July 1, 2017 through June 30, 2018, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Manly'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 2018 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 Manly 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.



ROB SAND  
Auditor of State

March 18, 2019

## **Detailed Recommendations**

City of Manly

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

(A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements. 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) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Utilities – billing, collecting, depositing, posting and maintaining detailed accounts receivable records.
- (5) Disbursements – purchasing, invoice processing, check signing, check writing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.
- (7) Journal entries – preparing and recording.

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 and journal entries should be documented by the signature or initials of the reviewer and the date of the review.

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were reconciled throughout the year, however the reconciliations did not include a reconciliation of the utility receipts to bank deposits and month end delinquent account listing. In addition, an independent person does not review and approve the reconciliations or adjustments made to accounts.

Recommendation – Procedures should be established to reconcile utility receipts to bank deposits. Additionally, a listing of delinquent accounts should agree with the ending balance reported on the utility reconciliation. Also, the City Council or other independent person designated by the City Council should review the utility reconciliations and monitor delinquent accounts. The reviews should be documented by signing or initialing and dating the reconciliations.

(C) Bank Reconciliation – The Employee Flex/Cafeteria Fund checking account listed on the City’s fund balance sheet did not reconcile to the bank balance at June 30, 2018 by \$1,130. The difference was due in part to employees’ flex spending disbursements not being recorded by the City.

City of Manly

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

Recommendation – The City should establish procedures to ensure all bank and investment balances, including the Employee Flex/Cafeteria Fund account, are reconciled to the City Treasurer’s report monthly. Variances, if any, should be reviewed and resolved timely.

- (D) Transfers – Transfers between funds 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 as part of the City Council meeting minutes.

- (E) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the culture and recreation, general government, debt service 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.

- (F) Financial Condition – At June 30, 2018, the City had a deficit balance of \$56,241 in the Capital Projects Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial condition.

- (G) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report include a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...” The 2018 Annual Financial Report (AFR) did not accurately report the ending fund balances for fiscal year 2018. The ending governmental fund balance was overstated by \$2,357 in comparison to the reconciled bank balances.

Recommendation – The City should ensure Annual Financial Report receipts, disbursements, and fund balances agree with the City’s records.

- (H) Tax Increment Financing Interest – The City credited interest earned on the balance of the Special Revenue, Tax Increment Financing (TIF) to the General Fund rather than the Special Revenue, TIF Fund as required by 403.19(10) of the Code of Iowa.

Recommendation – The City should credit interest to the Special Revenue, TIF Fund as required. Since interest receipts are available to service TIF obligations, the interest amounts credited to the TIF Fund should be decertified by the City to the County Auditor in accordance with Chapter 403.19(6)(b) of the Code of Iowa.

- (I) Computer System – The City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop a written disaster recovery plan.

City of Manly

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

- (J) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State.

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

City of Manly

Staff

This engagement was performed by:

Katherine L. Rupp, CPA, Manager  
Alex W. Case, Senior Auditor  
Brandon G. Sommers, Assistant Auditor



Marlys K. Gaston, CPA  
Deputy Auditor of State