



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

Mary Mosiman, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 28, 2015 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Elkhart, Iowa for the period April 1, 2014 through March 31, 2015. 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 take steps to reduce, and eventually eliminate, the deficit fund balances and should comply with Chapter 384.20 of the Code of Iowa by ensuring the budget is amended before disbursements are allowed to exceed the budget.

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 <http://auditor.iowa.gov/reports/1422-0718-EPOP.pdf>.

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**CITY OF ELKHART**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
APRIL 1, 2014 THROUGH MARCH 31, 2015**

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**City of Elkhart**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brandon Snyder	Mayor	Jan 2016
Ashley Miller	Council Member	(Resigned Jan 2014)
Michael Just (Appointed Jan 2014)	Council Member	Nov 2015
Doug Jones	Council Member	Jan 2016
Kevin Smith	Council Member	Jan 2016
Chad Rumbaugh	Council Member	Jan 2018
Brian Shipley	Council Member	Jan 2018
Jeanne Uhl	City Clerk/Treasurer	Indefinite
Erik Fisk	Attorney	Indefinite

**City of Elkhart**



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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 Elkhart for the period April 1, 2014 through March 31, 2015. The City of Elkhart'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 2014 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 debt, including general obligation 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.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 audit of the City of Elkhart, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Elkhart, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Elkhart and other parties to whom the City of Elkhart may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Elkhart 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

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 7, 2015



## **Detailed Recommendations**

City of Elkhart

Detailed Recommendations

For the period April 1, 2014 through March 31, 2015

- (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) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
  - (2) Cash - handling, reconciling and recording.
  - (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
  - (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
  - (5) Payroll – recordkeeping, preparing, signing and distributing.
  - (6) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
  - (7) Debt – recordkeeping, compliance and debt payment processing.
  - (8) Bank reconciliations – independent reviews of bank reconciliations were not documented.

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) Financial Condition – At March 31, 2015, the City had deficit balances of \$7,340 and \$1,268 in the Capital Projects and Enterprise, Storm Water Funds, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial condition.

- (C) 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.

- (D) Separately Maintained Account Disbursements – Disbursements for the Elkhart Memorial Park Board (Park Board), the Elkhart Community Betterment Committee (Betterment Committee) and the Elkhart Cemetery Association (Cemetery Association) were not supported by an invoice or other supporting documentation and there was no evidence of approval for Park Board and Betterment Committee disbursements.

City of Elkhart

Detailed Recommendations

For the period April 1, 2014 through March 31, 2015

Recommendation – All disbursements should be supported by an invoice or other supporting documentation and invoices should be approved prior to payment. Payment approval should be documented by the signature or initials of the reviewer and the date of review.

- (E) Computer System – The City does not have written policies over its computer system for personal use of computers and software or internet usage.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over its computer system.

- (F) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- Aid in training additional or replacement staff.
- Help achieve uniformity in accounting and in the application of policies and procedures.
- Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

- (G) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities 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. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

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

- (H) Certified Budget – Disbursements at year end exceeded the amount budgeted in the community and economic development function. 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) Payroll – Time cards are not approved and initialed by the employee’s supervisor.

Recommendation – All time cards should be approved and initialed by the employee’s supervisor or by an independent official who is not involved with payroll.

City of Elkhart

Detailed Recommendations

For the period April 1, 2014 through March 31, 2015

- (J) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings to be published within fifteen days of the meeting. Three of four monthly minutes reviewed were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa.

- (K) Investment Policy – The City has not adopted a written investment policy as required by Chapter 12B.10B 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.

City of Elkhart

Staff

This agreed-upon procedures engagement was performed by:

Tammy A. Hollingsworth, CIA, Manager  
Dorothy O. Stover, Senior Auditor II  
Emma L. McGrane, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State