



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Cumming, Iowa for the period December 1, 2013 through November 30, 2014. 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 establish financial and budgetary procedures to ensure receipts and disbursements are reported in the proper fiscal year and monthly City Clerk's reports which include a summary of receipts, disbursements and ending balances by fund should be prepared. In addition, the City should publish minutes timely and include a summary of receipts by fund as required by the Code of Iowa.

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/1422-0871-EP0P.pdf>.

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CITY OF CUMMING

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
DECEMBER 1, 2013 THROUGH NOVEMBER 30, 2014

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City of Cumming

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Tom Becker	Mayor	Jan 2014
Anita Enos	Council Member	Jan 2014
Ed Harkin	Council Member	Jan 2014
Dave Chelsvig	Council Member	Jan 2016
Peggy Koch	Council Member	Jan 2016
Jean Lare	Council Member	Jan 2016
Rachelle Swisher	City Clerk/Treasurer	Indefinite
Geri Huser	Attorney	Indefinite
<u>(After January 2014)</u>		
Tom Becker	Mayor	Jan 2018
Dave Chelsvig	Council Member	Jan 2016
Peggy Koch	Council Member	Jan 2016
Jean Lare	Council Member	Jan 2016
Dino Goode	Council Member	Jan 2018
Ed Harkin	Council Member	Jan 2018
Rachelle Swisher	City Clerk/Treasurer	Indefinite
Geri Huser	Attorney	Indefinite

City of Cumming



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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 Cumming for the period December 1, 2013 through November 30, 2014. The City of Cumming'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 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.

9. 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.
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 audit of the City of Cumming, 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 Cumming, 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 Cumming and other parties to whom the City of Cumming 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 Cumming 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

January 9, 2015

Detailed Recommendations

City of Cumming

Detailed Recommendations

For the period December 1, 2013 through November 30, 2014

- (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) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (3) Debt – recordkeeping, compliance and debt payment processing.
 - (4) Journal entries – preparing and journalizing.
 - (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (6) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
 - (7) Computer system – performing all general accounting functions and controlling all data input and output.
 - (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 and journal entries should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Checks Posted – The City reports using the cash basis of accounting. However, several checks written after June 30, 2014 were posted as June 30, 2014 activity and reported in the 2014 Annual Financial Report (AFR). Disbursements should be recorded when checks are written and not when the activity/service was incurred. These transactions resulted in the misstatement of the AFR and disbursements were charged to an incorrect fiscal year.

Recommendation – For better accountability, financial and budgetary control, the financial activity should be recorded when receipts are received and checks are written.

- (C) Bank Reconciliations – The cash balances in the City’s general ledger were reconciled to bank account balances throughout the year. However, no independent review of the bank reconciliations was performed prior to September 2014.

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

City of Cumming

Detailed Recommendations

For the period December 1, 2013 through November 30, 2014

- (D) Monthly City Clerk's Report – A monthly City Clerk's report, including a summary of receipts disbursements and ending balances by fund, is not prepared.

Recommendation – The City Clerk should prepare a monthly City Clerk's report which includes a summary of receipts, disbursements and ending balances by fund. The City Council should review and approve the monthly City Clerk's report.

- (E) Tax Increment Financing (TIF) Debt Certifications – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from the fund as provided in Chapter 403.19 of the Code of Iowa. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City certified interfund loans as TIF obligations on November 27, 2006, November 26, 2007 and November 24, 2008 although the loans were not made. Because the City received TIF receipts for debt the City did not incur, the City's TIF receipts exceeded its TIF indebtedness.

Recommendation – The City should consult bond counsel to determine the disposition of this matter, including determining if TIF receipts in excess of TIF indebtedness should be returned to the County Treasurer as required by Chapter 24.21 of the Code of Iowa.

- (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 and include a summary of all receipts. The minutes for all meetings tested were not published within fifteen days and did not include a summary of receipts.

Recommendation – The City should publish minutes timely and include a summary of receipts as required.

- (G) Parks and Recreation – The Parks and Recreation Board sells various apparel and other items promoting the City without providing periodic reporting of sales and inventory on hand.

Recommendation – The City should establish policies and procedures to require a periodic reporting of sales and inventory on hand. The sales should be reconciled to collections deposited in the City's accounting system.

- (H) Timely Deposits – The City's receipts were not always deposited on a timely basis.

Recommendation – To safeguard cash and increase funds available for investment, receipts should be deposited intact and timely.

City of Cumming

Detailed Recommendations

For the period December 1, 2013 through November 30, 2014

- (I) Credit Card – The City has a credit card for use by the City Clerk. The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card purchases.

Recommendation – The City should adopt a formal written policy regulating the use of the City’s credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to support purchases.

- (J) Journal Entry Approval – Journal entries are not approved by the City Council.

Recommendation – Journal entries should be approved by an independent person and evidence of the approval should be documented by the signature or initials of the approver and the date of approval.

- (K) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the general government 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.

- (L) Financial Condition – At June 30, 2014, the City had a deficit balance of \$2,764 in the Debt Service Fund.

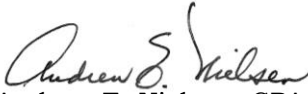
Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

City of Cumming

Staff

This agreed-upon procedures engagement was performed by:

Donna F. Kruger, CPA, Manager
Katherine L. Rupp, CPA, Senior Auditor II
Chad C. Lynch, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State