



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ September 1, 2015 _____

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Oxford, Iowa for the period July 1, 2013 through June 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, including an independent review of bank reconciliations. The City should establish procedures to reconcile utility billings, collections and delinquent accounts for each billing period and should ensure financial activity and balances of all City accounts, including the Oxford Fire Department and the Oxford Public Library, are included in the City's accounting records. In addition, the City should amend the budget before disbursements exceed budgeted amounts by function and publish City Council meeting minutes 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/1421-0486-BL0F.pdf>.

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CITY OF OXFORD

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

**FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

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City of Oxford

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Donald Saxton	Mayor	Jan 2014
Bryan S. Cooling	Council Member	Jan 2014
Darrell W. Ealy	Council Member	Jan 2014
Mary Sue Jiras	Council Member	Jan 2016
Sara Morlan	Council Member	Jan 2016
Gary Wilkinson	Council Member	Jan 2016
Penny Jenn	City Clerk	Indefinite
Robert Michael & Crystal Raiber	Attorney	Indefinite
<u>(After January 2014)</u>		
Gary Wilkinson	Mayor	Jan 2016
Mary Sue Jiras	Council Member	Jan 2016
Sara Morlan	Council Member	Jan 2016
Lorena Weppler	Council Member	Jan 2016
Bryan S. Cooling	Council Member	Jan 2018
Darrell W. Ealy	Council Member	Jan 2018
Penny Jenn	City Clerk	Indefinite
Barbara Wichmann	Deputy City Clerk	Indefinite
Robert Michael & Crystal Raiber	Attorney	Indefinite

City of Oxford



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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 Oxford for the period July 1, 2013 through June 30, 2014. The City of Oxford'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 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 audit of the City of Oxford, 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 Oxford, 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 Oxford and other parties to whom the City of Oxford 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 Oxford 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

February 23, 2015

Detailed Recommendations

City of Oxford

Detailed Recommendations

For the period July 1, 2013 through June 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) Long-term debt – recording and reconciling.
- (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 and distributing.
- (6) Utilities – billing, collecting, depositing and posting.
- (7) Financial reporting – preparing and reconciling.
- (8) Journal entries – preparing and journalizing.
- (9) Transfers – recording 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 personnel, 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) Separately Maintained Records – The Oxford Fire Department and the Oxford Public Library maintain bank accounts separate from those maintained by the City Clerk. The transactions and resulting balances of these accounts are not recorded in the City Clerk's accounting records and are not reported to the City Council each month.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and should be reported to the City Council on a monthly basis.

(C) Bank Reconciliations – The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, independent reviews of the bank reconciliations were not performed. In addition, cash balances of the bank accounts maintained by the Oxford Public Library and the Oxford Fire Department were not included in the City's monthly bank to book reconciliations.

Recommendation – An independent person should review the bank reconciliations and document the reviews by signing or initialing and dating the monthly reconciliations. Also, the City's monthly bank reconciliations should include the Oxford Public Library and the Oxford Fire Department bank accounts.

City of Oxford

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (D) Chart of Accounts – The City has not fully implemented the City Finance Committee’s recommended Uniform Chart of Accounts (COA) for Iowa City Governments.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

- (E) 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.

Recommendation – A listing of delinquent accounts should be prepared monthly. 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.

- (F) Financial Software – The City uses hand ledger cards to record financial activity for the City records. The City has financial software but does not rely on the financial software.

Recommendation – The City should begin to utilize the financial software to record receipts and disbursements and to track fund balances.

- (G) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 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. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (H) City Council Meeting Minutes – The publications of City Council meeting minutes did not include a list of claims allowed and a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish all claims and a summary of all receipts, as required.

- (I) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, public works, culture and recreation and general government 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 as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City of Oxford

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (J) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies and procedures for:

- Password privacy and confidentiality.
- Requiring passwords to be changed at least every 60-90 days.
- Requiring backups be performed and stored off site.
- Ensuring only software licensed to the City is installed on computers and monitoring software licensing requirements to ensure the City is in compliance.
- Logging off unattended computers.
- Usage of the internet.

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

- (K) Financial Condition – At June 30, 2014, the City had a deficit balance in the Special Revenue, Employee Benefits Fund of \$2,022.

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

- (L) Transfer and Journal Entry Documentation – Supporting documentation was not maintained for interfund transfers and journal entries. Additionally, transfers and journal entries are not approved.

Recommendation – Supporting documentation which substantiates all interfund transfers and journal entries should be maintained. All interfund transfers should be approved in the City Council meeting minutes or the budget, as applicable. Journal entries should be approved by an independent person and the approval should be documented by the signature or initials of the approver and the date of approval.

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

- (N) Annual Financial Report (AFR) – Beginning balances in the fiscal year 2014 AFR did not agree with the general ledger balances. In addition, interfund transfers totaling \$11,662 were not reported and disbursements in the public safety and business type activities functions did not agree with the general ledger.

Recommendation – The City should ensure balances, transfers and disbursements reported in the AFR agree with the City’s general ledger.

City of Oxford

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (O) 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 for several bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (P) Annual Urban Renewal Report (AURR) – The fiscal year 2013 AURR report certified to the Iowa Department of Management (IDOM) on November 15, 2013 was not approved by the City Council prior to certification. The fiscal year 2014 AURR was not certified to the IDOM on or before December 1. In addition, the Levy Authority Summary in the fiscal year 2014 AURR reported “Year-End Outstanding TIF Obligations, Net of TIF Special Revenue Fund Balance” as a deficit of \$189,600. This may be an indication the City has collected more tax increment financing (TIF) receipts than total remaining TIF obligations.

Chapter 24.21 of the Code of Iowa requires any excess balance in a TIF Fund (i.e., excess TIF receipts) “shall be allocated to and paid into the funds for the respective taxing districts as taxes by or for the taxing district into which all other property taxes are paid”.

Recommendation – The City should approve and certify the AURR timely. In addition, the City should review the Levy Authority Summary in the fiscal 2014 AURR for accuracy to determine whether TIF receipts in excess of the amount needed to repay the City’s TIF obligations were collected. If excess TIF receipts were collected, the City should consult TIF legal counsel to determine the disposition of the excess, including repayment to the County Treasurer for reapportionment as required by Chapter 24.21 of the Code of Iowa, if needed.

City of Oxford

Staff

This agreed-upon procedures engagement was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Zack D. Kubik, CPA, Staff Auditor
Joe B. Sparks, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State