



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

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

November 2, 2016

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Stanhope, Iowa for the period April 1, 2015 through March 31, 2016. 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 ensure bank reconciliations are completed monthly for all accounts. The City should also comply with Chapter 384.4 of the Code of Iowa by recording general obligation debt payments in the Debt Service Fund.

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/1522-0376-EPOP>.

###

CITY OF STANHOPE

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

**FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016**

Table of Contents

| | <u>Page</u> |
|--|----------------|
| Officials | 3 |
| Independent Accountant’s Report on Applying Agreed-Upon Procedures | 5-6 |
| Detailed Recommendations: | <u>Finding</u> |
| Segregation of Duties | A 8 |
| Monthly City Clerk’s Report | B 8 |
| Bank Reconciliations | C 8 |
| Investment Policy | D 9 |
| Long-term Debt | E 9 |
| Financial Condition | F 9 |
| Disbursements | G 9 |
| Staff | 10 |

City of Stanhope

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Began</u> | <u>Term Expires</u> |
|------------------------|----------------------|-----------------------|-------------------------|
| Harold Hove | Mayor | Jan 2014 | Jan 2018 |
| Gary Baker, Jr. | Council Member | Jan 2014 | Jan 2018 |
| Amber Van De Pol | Council Member | Jan 2014 | Jan 2018 |
| Susan Moore | Council Member | Jan 2016 | Jan 2020 |
| Roger Hayes, Jr. | Council Member | Jan 2016 | Jan 2020 |
| Nila Zanker | Council Member | Jan 2016 | Jan 2020 |
| Jessica Murray | City Clerk/Treasurer | | Indefinite |
| Meredith Mahoney Nerem | Attorney | | Indefinite |

City of Stanhope



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

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 Stanhope for the period April 1, 2015 through March 31, 2016. The City of Stanhope'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 2015 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.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Stanhope, 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 Stanhope and other parties to whom the City of Stanhope 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 Stanhope 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

July 18, 2016

Detailed Recommendations

City of Stanhope

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

(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) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Utilities – billing, collecting, depositing, posting and maintaining detailed accounts receivable and write-off records.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
- (7) Debt – recordkeeping, compliance and debt payment processing.
- (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 should be documented by the signature or initials of the reviewer and the date of the review.

(B) Monthly City Clerk's Report – A monthly City Clerk's report, including a summary of receipts, disbursements, transfers and balances for each fund is prepared. However, the report is not provided to the City Council for review. In addition, a comparison of actual disbursements to budget by function is not provided to the City Council.

Recommendation – A monthly City Clerk's report, including a summary of receipts, disbursements, transfers and balances for each fund should be provided to the City Council. In addition, a comparison of actual disbursements to budget by function should be provided to the City Council for review.

(C) Bank Reconciliations – Bank reconciliations are prepared for the City's main checking account. However, bank reconciliations are not prepared for the following City accounts: the Community Center Building account, the Fitness Center account, the DBA First Responders account and the Stanhope Fire Department account. In addition, bank reconciliations are not provided to the City Council for review.

Recommendation – Bank reconciliations should be prepared for all City accounts and provided to the City Council for review monthly.

City of Stanhope

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

- (D) Investment Policy – The City has not adopted a written investment policy as required by 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.

- (E) Long-term Debt – Principal and interest on the City’s general obligation corporate purpose bonds were paid from the Special Revenue, Local Option Sales Tax Fund and the Enterprise, Water 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, Local Option Sales Tax and Enterprise, Water Funds to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- (F) Financial Condition – The Enterprise, Water Fund had a deficit balance of \$3,645 at June 30, 2015.

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

- (G) Disbursements – Supporting documentation for disbursements is not properly canceled to prevent reuse. A claim report showing approval and payment of the claims is attached to each invoice, but the report is easily removable.

Recommendation – The City should implement procedures to ensure invoices are properly canceled to prevent reuse.

City of Stanhope

Staff

This engagement was performed by:

Deborah J. Moser, CPA, Manager
Christian E. Cottingham, Staff Auditor
Jacob Bennett, Assistant Auditor


Marlys K. Gaston, CPA
Director