

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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

December 14, 2016

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Conway, 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 ensure bank reconciliations are reviewed by an independent person. The City should also approve an investment policy and a resolution naming official depositories as required by Chapters 12B.10B and 12C.2 of the Code of Iowa. In addition, the City should comply with Chapter 384.18 of the Code of Iowa by amending its budget 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 <https://auditor.iowa.gov/reports/1522-0841-EP0P>.

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CITY OF CONWAY

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

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

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City of Conway

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
David Davis	Mayor	Jan 2016	Jan 2018
Tonya Cook	Council Member	Jan 2016	Jan 2018
Lacy Smith	Council Member	Jan 2016	Jan 2018
Roxanne Smith	Council Member	Jan 2016	Jan 2018
Linda Bauer	City Clerk		Indefinite

City of Conway



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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 Conway for the period April 1, 2015 through March 31, 2016. The City of Conway'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 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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
9. 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.
10. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 Conway, 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 Conway and other parties to whom the City of Conway 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 Conway 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

May 11, 2016

Detailed Recommendations

City of Conway

Schedule of Findings

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

(A) Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one individual has control over the following areas:

- (1) Cash – reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, recording and reconciling.
- (4) Payroll – entering rates, preparing, signing and distributing.
- (5) Financial reporting – preparing and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office 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 and other officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of review.

(B) Bank Reconciliations – An independent review of the bank reconciliations was not performed.

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

(C) Deposits and Investments – The City does not have 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 should adopt a resolution naming official depositories and the maximum deposit amount as required by Chapter 12C.2 of the Code of Iowa.

(D) 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.

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

(E) Charge Account – The City has a charge account used to purchase fuel for the City lawnmower and snow plow. The City has not adopted a formal policy to regulate the use of the charge account.

City of Conway

Schedule of Findings

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

Recommendation – The City should adopt a formal written policy regulating the use of City charge accounts. The policy, at a minimum, should address who is authorized to use the charge accounts and for what purposes, as well as the types of supporting documentation required to substantiate charges.

- (F) Payroll – The original hourly rate and subsequent wage adjustments for the City Clerk were not documented in the City Council meeting minutes. In addition, although timesheets were maintained for the City Clerk, there was no indication the timesheets had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.

Recommendation – The City Council meeting minutes should document the hourly pay rate for all employees when payroll is approved. Also, timesheets should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review.

- (G) Mayor/City Council Compensation and Payroll Taxes – The Mayor and City Council member compensation was not reduced by the required Federal Insurance Contributions Act (FICA) tax or Iowa Public Employees' Retirement System (IPERS) contribution. In addition, the Mayor and City Council member compensation was not approved by City ordinance as required by Chapter 372.8 of the Code of Iowa.

Recommendation – The City should contact the Internal Revenue Service (IRS) and IPERS to determine the disposition of the FICA and IPERS withholding issue. In addition, the Mayor and City Council member compensation should be established by City ordinance, as required.

- (H) Worker Status – The City contracts with an individual who utilizes City equipment to perform lawn mowing and snow removal services for the City. The City pays this individual as an independent contractor rather than an employee. Accordingly, payroll taxes were not withheld or paid on the individual's wages.

Recommendation – The City should complete Internal Revenue Service Form SS-8 to determine worker status for purposes of federal employment taxes and income tax withholding.

- (I) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the culture and recreation 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.

- (J) Checks Signed in Advance – Certain checks are signed before the invoice is received.

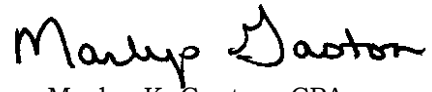
Recommendation – Checks should not be signed in advance and should not be written and held.

City of Conway

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager
Laura M. Wernimont, Senior Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA
Director