



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

February 13, 2017

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Durant, Iowa for the period July 1, 2015 through June 30, 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. In addition, the City should amend the budget in accordance with Chapter 384.18 of the Code of Iowa 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/1621-0137-BLOF>.

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CITY OF DURANT
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

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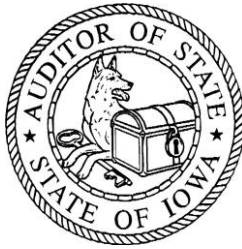
City of Durant
Officials
(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Scott Spengler	Mayor	Nov 2015
Doug Beland	Council Member	Jan 2016
Brian Utter	Council Member	Jan 2016
Diane Quiram	Council Member	Jan 2018
Mick Gruemer	Council Member	Jan 2018
Dan Sterner	Council Member	Jan 2018
Deana Cavin	City Clerk	Indefinite
Kathy Keese	Deputy City Clerk	Indefinite
Mitch Richman	Treasurer	Jan 2016
Gerald F. Denning	Attorney	Jan 2016

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Scott Spengler	Mayor	Jan 2018
Diane Quiram	Council Member	Jan 2018
Mick Gruemmer	Council Member	Jan 2018
Dan Sterner	Council Member	Jan 2018
Kevin Mundt	Council Member	Jan 2020
Brian Utter	Council Member	Jan 2020
Deana Cavin	City Clerk	Indefinite
Kathy Keese	Deputy City Clerk	Indefinite
Mitch Richman	Treasurer	Jan 2018
Gerald F. Denning	Attorney	Jan 2018

City of Durant



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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 Durant for the period July 1, 2015 through June 30, 2016. The City of Durant'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 2016 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.

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 Durant, 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 Durant and other parties to whom the City of Durant 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 Durant 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

October 20, 2016

City of Durant

Detailed Recommendations

July 1, 2015 through June 30, 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. When duties are properly segregated, the activities of one employee act as a check on those of another. A limited number of individuals are responsible for the following areas:

- (1) Accounting and information system – performing all general accounting functions, including journal entries, controlling all data input and output and custody of assets. There is no independent review of journal entries.
- (2) Cash – preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash.
- (3) Receipts – opening mail, collecting, depositing, journalizing and recording.
- (4) Utility receipts – billing, collecting, depositing, recording and reconciling.
- (5) Payroll – recordkeeping, preparing, distributing and entering hourly rates into the payroll system.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials. Independent reviews of reconciliations, journal entries and other records should be documented by the signature or initials of the independent reviewer and the date of the review.

- (B) Financial Reports – The City Clerk’s financial reports provided to the City Council each month did not include comparisons of actual disbursements to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendment to the certified budget, the City Clerk’s monthly financial reports to the City Council should include comparisons to the certified budget by function.

- (C) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the community and economic development 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 in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City of Durant

Detailed Recommendations

July 1, 2015 through June 30, 2016

- (D) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid To	Purpose	Amount
Card Center	Red Lobster gift card given for "Years of Service" award	\$ 50
Jeff's Market	Parade candy	83

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation.

- (E) Community Center Contracts and Receipts – The City rents out the Community Center to the public for personal events using two types of contracts, wedding and non-wedding contracts. The wedding contract requires a deposit at the time the contract is signed and rent must be paid in its entirety before the event. The non-wedding contract does not require a deposit, but requires rent to be paid in its entirety at the time the contract is signed. Both contracts also allow for concession requests to be added to the overall fees for the event.

For one wedding contract and the related receipts tested, only a portion of the rental payment had been collected prior to the event and the deposit was used to pay the remainder of the rent required by the contract. The contract did not include all the concession requests for which receipts were collected.

Recommendation – The City should enforce established contracts and require all rent payments be made in their entirety prior to each event. The City should also ensure the contracts include all concession requests for each event to support the total owed to the City for each contract.

City of Durant

Staff

This engagement was performed by:

Tammy A. Hollingsworth, CIA, Manager
Jesse J. Harthan, Senior Auditor
Lucas P. Mullen, Staff Auditor


Marlys K. Gaston, CPA
Director