

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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

August 21, 2017

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Unionville, Iowa for the period April 1, 2016 through March 31, 2017. 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 also ensure the general ledger is reconciled to bank account balances monthly.

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/1622-0026-EPOP>.

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CITY OF UNIONVILLE

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

**FOR THE PERIOD
APRIL 1, 2016 THROUGH MARCH 31, 2017**

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City of Unionville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Marlin Nuckolls	Mayor	Jan 2016	Jan 2018
Krystal Bronson	Council Member	Jan 2016	Jan 2018
Letha Cormeny	Council Member	Jan 2016	Jan 2018
Richard Ewing	Council Member	Jan 2016	Jan 2018
Sandy Snow	Council Member	Jan 2016	Jan 2018
William Ward	Council Member	Jan 2016	Jan 2018
Mary Elizabeth Thomas	City Clerk/Treasurer		Indefinite

City of Unionville



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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 Unionville for the period April 1, 2016 through March 31, 2017. The City of Unionville'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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 Unionville, 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 Unionville and other parties to whom the City of Unionville 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 Unionville 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

April 20, 2017

Detailed Recommendations

City of Unionville

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

(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) Accounting System – all accounting functions and having custody of assets.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, depositing, posting and reconciling.
- (5) Disbursements – purchasing, invoice processing, check writing, check signing, mailing, recording and reconciling.
- (6) Payroll – recordkeeping, preparing, signing and distributing.
- (7) Financial reporting – preparing and reconciling.
- (8) Computer system – performing all general accounting functions and all data input and output.

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) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) include a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...” We reviewed the AFR for the year ended June 30, 2016 and noted the following:

- The AFR did not accurately report the beginning and ending fund balances. Ending balances for the governmental funds were understated by \$88,202 when compared to the reconciled bank balances.
- Total receipts and disbursements did not agree to the City’s records.
- Budget amounts reported on the AFR did not agree with the adopted budget. Budgeted receipts were understated by \$12,115 and budgeted disbursements were understated by \$100. The budgeted beginning balance on the AFR was zero and the ending balance was reported as a negative amount.
- Approval of the AFR by the City Council was not documented.

Recommendation – The City should ensure the AFR, including the beginning and ending fund balances, is accurate and supported. The City should ensure balances from the prior year are properly carried forward and ending fund balances agree with the June 30 general ledger balances. Also, the budget amount reported on the AFR should represent the final or amended budget. The AFR should be approved by the City Council and the approval should be documented in the minutes record.

City of Unionville

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

- (C) Bank Reconciliations – The cash and investment balances in the City’s financial records were not reconciled to bank and investment account balances throughout the year and a listing of outstanding checks was not prepared. For one month tested, June 2016, the total fund balance per the City’s financial records, adjusted for unreported certificates of deposit, was \$2,010 higher than the bank balance.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the City’s financial records monthly. Variances, if any, should be reviewed and resolved timely. As part of the reconciliation, a listing of outstanding checks should be prepared and retained. An independent person should review all bank reconciliations and document the review by signing or initialing and dating the reconciliations.

- (D) Prenumbered Receipts – Prenumbered receipts were not issued for all collections.

Recommendation – Prenumbered receipts should be issued for all collections. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

- (E) Monthly City Clerk’s Report – The monthly City Clerk’s report does not include separate fund balances for the General Fund and the Special Revenue, Road Use Tax Fund. The report shows ending balances by function rather than by fund. Additionally, the report did not include comparisons of actual disbursements to the certified budget by function. Also, investments are reported but are not added to the total fund balances.

Recommendation – The monthly City Clerk’s report should include beginning and ending fund balances for each fund along with receipts and disbursements for each fund. 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 of actual disbursements to the certified budget by function. Also, to facilitate proper reporting and reconciling to the general ledger, all investments should be included in the ending fund balances.

- (F) Disbursements – While the City Council notes approval of claims in the City Council meeting minutes, a list of claims is not prepared for City Council review and evidence of approval is not indicated on the invoices.

Additionally, unused checks are not kept in a secured location.

Recommendation – The City should establish procedures to authenticate a detailed listing of claims or document approval on each invoice. Also, the City should secure unused checks.

- (G) Financial Reporting – Local option sales tax receipts of \$678 were not reported on the City Clerk’s monthly financial reports and \$387 of road use tax receipts were incorrectly reported as property tax receipts.

Additionally, the October 2016 receipts were overstated by \$71 for park and gym rent and donations. Also, four disbursements tested totaling \$2,533 were not included in the general ledger and four additional disbursements were recorded at a different amount than the check resulting in a \$109 overstatement of disbursements.

City of Unionville

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

Recommendation – The City should establish procedures to ensure receipts and disbursements are properly recorded and reported.

- (H) Checks Signed in Advance – Certain checks are signed before the check payee and amount are known or completed.

Recommendation – Checks should not be signed in advance.

- (I) Payroll – We could not locate an approved pay rate in the minutes record for City employees or a City ordinance approving the salaries of the elected officials.

Recommendation – The City Council should document approved pay rates for City employees in the minutes record and establish an ordinance approving the salaries of the elected officials.

- (J) City Council Meeting Minutes – The following were identified:

- City Council meetings were not preceded by proper public notice as required by Chapter 21.4 of the Code of Iowa. Proper notice for a City with a population of less than 200 includes posting the agenda in three public places designated by City ordinance.
- Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be posted within fifteen days of the meeting. The postings shall include a list of claims, including the reason for each claim, a summary of receipts and total disbursements by fund. Four out of four minutes tested were not posted within fifteen days of the meeting and the postings did not include the required information.
- Meeting minutes were not signed as required by Chapter 380.7 of the Code of Iowa.
- Chapter 21.3 of the Code of Iowa requires meeting minutes to include information sufficient to indicate the vote of each member. The minutes from the February 3, 2017 meeting did not include information sufficient to indicate each member's vote on a passed resolution.

Recommendation – The City should comply with the Code of Iowa and provide public notice of meetings by posting the agenda in three public places designated by City ordinance. City Council meeting minutes should be posted within fifteen days of the meeting. In addition, the City should ensure the minutes postings include a list of claims allowed, a summary of receipts and total disbursements by fund, as required. In addition, all minutes should be signed, as required.

- (K) Investments – One certificate of deposit is maintained in an unlocked drawer at the City Clerk's home.

Recommendation – All investments should be under the control of a responsible official and secured in a locked area by an independent official or a safety deposit box at a local financial institution.

City of Unionville

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

- (L) 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.

- (M) Payroll Taxes – The City pays both the employer’s and the employee’s share of the City Clerk’s FICA and IPERS. The City Clerk’s share of FICA and IPERS for the period reviewed was \$138 and \$107, respectively.

Recommendation – The City should withhold and remit the employee’s share of FICA and IPERS for all employees. The City should seek reimbursement from the City Clerk for the employee’s share of FICA and IPERS paid by the City prior to and during the period reviewed.

- (N) Restrictive Endorsement – Checks were not restrictively endorsed immediately upon receipt.

Recommendation – To safeguard collections, checks should be restrictively endorsed immediately upon receipt.

- (O) Transfers – The City periodically transfers money to and from various funds. During the period reviewed, transfers were approved by the City Council, however, the purpose for each transfer was not documented in the minutes record.

Recommendation – The City Council should approve all fund transfers and document the purpose of the transfer as part of the minutes record.

- (P) 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 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.

City of Unionville

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Katherine L. Rupp, CPA, Manager
Cody J. Pifer, Assistant Auditor


Marlys K. Gaston, CPA
Director