



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

February 2, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Quimby, 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 and take steps to reduce and eventually eliminate deficit balances. Also, the City should establish procedures to ensure utility reconciliations are completed monthly and are independently reviewed.

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/1622-0159-EPOP>.

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CITY OF QUIMBY
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 Quimby

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Betty Woltman	Mayor	Jan 2016	Jan 2018
Donald Fiser	Council Member	Jan 2014	Jan 2018
Constance Sorbe	Council Member	Jan 2014	Jan 2018
Tracy Stevenson	Council Member	Jan 2014	Jan 2018
Willis Albaugh	Council Member	Jan 2016	Jan 2020
Larry Nelson (Deceased)	Council Member	Jan 2016	Jan 2020
Timothy Preuss (Appointed)	Council Member	May 2016	Nov 2017
Linda Sones	City Clerk/Treasurer		Indefinite
Alyssa Herbold	Attorney		Indefinite

City of Quimby



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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 Quimby for the period July 1, 2015 through June 30, 2016. The City of Quimby'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 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.
10. 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.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. 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.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 Quimby, 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 Quimby and other parties to whom the City of Quimby 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 Quimby 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 28, 2016

City of Quimby

Detailed Recommendations

For the period 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. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (4) Disbursements – purchasing, approving, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (6) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (7) Financial reporting – preparing and reconciling.

For the Quimby Library Board and the Quimby Community Center, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting, and reconciling.
- (2) Disbursements – preparing, recording, and reconciling.
- (3) Cash – handling, reconciling, and recording.

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) Bank Reconciliations – The monthly receipts and disbursements in the City's general ledger were reconciled to the bank account balances throughout the year. However, the ending general ledger cash balance does not agree to the reconciled bank balance by \$542.

Recommendation – The City should establish procedures to ensure the ending general ledger cash balance is reconciled to the bank balance. Variances should be reviewed and resolved timely.

(C) Investments – An accounting record/register is not maintained for each investment.

Recommendation – An accounting record/register for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number should be maintained.

City of Quimby

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (D) 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 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.

- (E) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – To provide better financial information and control, the Uniform COA, or its equivalent, should be adopted by the City.

- (F) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility bills are not periodically reviewed and tested to ensure calculations are correct.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. Any variances should be investigated and resolved in a timely manner. The City Council or other independent person designated by the City Council should review the reconciliations, document the review by signing or initialing and dating the reconciliation, and monitor delinquent accounts. An independent person should periodically review and test utility billings to ensure they are properly calculated.

- (G) 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 as required by Chapter 554D.114 of the Code of Iowa.

- (H) Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was not approved by the City Council prior to filing the report with the Iowa Department of Management, as required by Chapter 384.22(2) of the Code of Iowa.

Recommendation – The City Council should review and approve the AURR prior to filing the report, as required.

- (I) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts 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.

City of Quimby

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (J) Financial Condition – At June 30, 2016, the City had deficit balances in the following funds:

<u>Fund</u>	<u>Amount</u>
General	\$83,934
Special Revenue:	
Road Use Tax	4,424
Enterprise:	
Sewer	5,478

Recommendation – The City should take immediate steps to reduce and eventually eliminate these deficits to return the funds to a sound financial condition.

- (K) Separately Maintained Records – The Quimby Library Board and the Quimby Community Center maintain separate bank accounts and accounting records for certain operations. These transactions and resulting balances are not included in the City’s accounting records or annual budget.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and 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 reported to the City Council monthly.

- (L) Library and Community Center – Monthly reconciliations of book and bank balances were not prepared. In addition, pre-numbered receipts were not issued for collections and disbursements are not approved by the City Council.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the reconciliations. Pre-numbered receipts should be issued at the time of collection to provide additional control over the recording of all collections. Also, disbursements should be approved by the City Council.

- (M) Community Center Disbursements – For one of five disbursements tested, the Quimby Community Center improperly paid sales tax.

Recommendation – The City should establish procedures to ensure sales tax is not paid on City disbursements.

City of Quimby

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Manager
David A. Cook, CPA, Staff Auditor
Debora M. Copeland, Staff Auditor


Marlys K. Gaston, CPA
Director