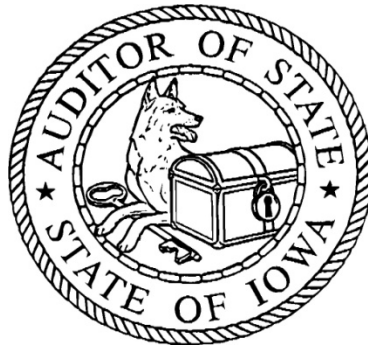


CITY OF ANYWHERE

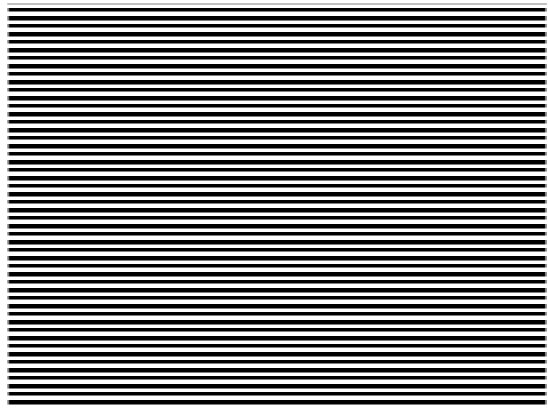
**AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2018 THROUGH JUNE 30, 2019
(for periodic examinations, specify twelve month period of examination)**

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



Rob Sand
Auditor of State



City of Anywhere



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

Practitioners:

This sample agreed-upon procedures report is presented by the Office of Auditor of State as required by Chapter 11 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

The engagement to apply agreed-upon procedures is to be conducted in accordance with the attestation standards for agreed-upon procedures engagements issued by the American Institute of Certified Public Accountants, the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the agreed-upon procedures program guide prepared by the Office of Auditor of State.

The format displays the information necessary to meet the requirements of this Office and is the minimum that will be acceptable. If the CPA and the City and/or separate Municipal Utility feel more detail is necessary, this, of course, will be welcome. A sample such as this cannot present all situations or findings which you may encounter, so the CPA's professional judgment must be used in determining the additional information or findings to be reported.

The agreed-upon procedures report should report all findings from the agreed-upon procedures engagement, unless clearly inconsequential, since materiality does not apply to the findings to be reported in accordance with, and as described in, AT-C 215.26 and AT-C 215.A28 of the attestation standards.

We have included information related to Municipal Utility examinations and to report filing requirements as attachments to this letter.

We have also included a page for listing the staff actually performing the agree-upon procedures engagement. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11.14 of the Code of Iowa, the news media are to be notified of the issuance of the agreed-upon procedures report by the CPA firm, unless the firm has made other arrangements with the City and/or separate Municipal Utility for the notification. We have developed a standard news release to be used for this purpose. The news release should be completed by the CPA Firm or the City and/or separate Municipal Utility and submitted to this Office with a **text-searchable** electronic copy of the agreed-upon procedures report issued by the CPA firm. Report filing requirements are detailed on the attached listing. We will make the agreed-upon procedures report and news release available to the news media in this Office.

In accordance with Chapter 11.6(7) of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or other significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit, agreed-upon procedures or other services to local governments. Together, we are able to provide a significant benefit to all taxpayers in the state.

Rob Sand
Auditor of State

Office of Auditor of State

Report Filing Requirements

Report Submission – The City and/or separate Municipal Utility or CPA firm is required to submit an electronic, **text-searchable**, PDF copy of the agreed-upon procedures report for the City and/or separate Municipal Utility with this Office, as follows:

- Annual Examinations – upon issuance to the City and/or separate Municipal Utility within nine months following the end of the fiscal year subject to examination.
- Periodic Examinations – upon issuance to the City and/or separate Municipal Utility or by the date specified in the RFP for periodic examination services.

Text-searchable files are required for the following reasons:

- The files created are much smaller in size than scanned-image files. Accordingly, text-searchable files require less storage space.
- Text-searchable files are required by the Census bureau when submitting Data Collection Forms and Single Audit reporting packages (i.e. consistent with Federal requirements).
- Text-searchable files provide transparency to the public.

Per Diem Billing and News Release – A copy of the CPA firm's per diem billing, including total cost and hours, and a copy of the news release or media notification should also be submitted. These items can be submitted as either paper copies or electronic copies (text-searchable PDF).

Electronic submission (text-searchable PDF) of the report, per diem billing and news release should be e-mailed to SubmitReports@auditor.state.ia.us.

If you are unable to e-mail the PDF files, you may mail a CD containing the files to this Office. You may direct any questions about submitting electronic files to the above e-mail address.

Submission of paper copies of the per diem billing and news release should be sent to the following address:

Office of Auditor of State
State Capitol Building
Room 111
1007 East Grand Avenue
Des Moines, IA 50319-0001

Office of Auditor of State
Report Filing Requirements

Annual Examination Filing Fee and Periodic Examination Fee Submission

The annual examination filing fee or periodic examination fee should be mailed to:

Office of Auditor of State
State Capitol Building
Room 111
1007 East Grand Avenue
Des Moines, Iowa 50319-0001

Annual Examination Filing Fee:

The annual examination filing fee should be submitted with the agreed-upon procedures report.

The designated budget strata and applicable annual examination filing fees are as follows:

<u>Budgeted Expenditures in Millions of Dollars</u>	<u>Filing Fee Amount</u>
Under 1	\$100
At least 1 but less than 3	175
At least 3 but less than 5	250
At least 5 but less than 10	425
At least 10 but less than 25	625
25 and over	850

Periodic Examination Fee:

The periodic examination fee is due annually by March 31, not upon filing an agreed-upon procedures report.

The designated budget strata and applicable periodic examination fees are as follows:

<u>Budgeted Expenditures</u>	<u>Periodic Examination Fee Amount</u>
Less than \$50,000	\$ 100
\$50,000 to \$300,000	475
\$300,000 to \$600,000	900
\$600,000 or more	1,200

Office of Auditor of State

Municipal Utility Examinations

For information related to Municipal Utility examinations, see the Frequently Asked Questions (FAQs) on the Auditor of State's website.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact:

FOR RELEASE _____

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Anywhere, Iowa, for the period July 1, 2018 through June 30, 2019 (for periodic examinations, specify twelve-month period of examination). The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported fifteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 13 of this report. The findings address issues such as a lack of segregation of duties, the lack of reconciliations of cash and investment balances to bank and investment account balances and utility billings, collections and delinquent accounts, disbursements exceeding budgeted amounts, business transactions that may represent conflicts of interest and excessive TIF fund balances.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

(NOTE to CPAs: Include significant findings, for example: segregation of duties weaknesses, lack of reconciliation procedures for bank accounts and utility collections, billings and receivables, lack of independent reviews and significant non-compliance.)

A copy of the agreed-upon procedures report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

###

CITY OF ANYWHERE

**AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES**

FOR THE PERIOD

JULY 1, 2018 THROUGH JUNE 30, 2019

(for periodic examinations, specify twelve-month period of examination)

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Example for Annual Examinations

(Include all Officials in office at some point during the fiscal year,
including any changes in Officials)

City of Anywhere

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leda Rouse	Mayor	Jan 2020
Addison Schmitz	Council Member	Jan 2020
Steven Wright	Council Member	Jan 2020
Bailey Books	Council Member	Jan 2022
Ella Fitzgerald	Council Member	Jan 2022
Marton Wright	Council Member	Jan 2022
Elle Mae Claver	City Clerk/Treasurer	Indefinite
Perry A. Lawyer	Attorney	Indefinite

Example for Periodic Examinations

(Include only those Officials in office at the end of the reporting period.
Also include "Term Began")

City of Anywhere

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Leda Rouse	Mayor	Jan 2016	Jan 2020
Addison Schmitz	Council Member	Jan 2016	Jan 2020
Steven Wright	Council Member	Jan 2016	Jan 2020
Bailey Books	Council Member	Jan 2018	Jan 2022
Ella Fitzgerald	Council Member	Jan 2018	Jan 2022
Benny Hill	Council Member	Jan 2018	Jan 2022
Elle Mae Claver	City Clerk/Treasurer		Indefinite
Perry A. Lawyer	Attorney		Indefinite



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Auditor of State

Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Anywhere for the period July 1, 2018 through June 30, 2019 **(for periodic examinations, specify twelve-month period of examination)**, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Anywhere's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and 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 observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of 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 observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed 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 scanned 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 observed the City's fiscal year 20__ Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa. **(If no investments, state, "The City has no investments.")**
8. We determined 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 scanned 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. **(If no debt, state, “The City has no debt.”)**
10. We scanned 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. **(If no TIF, state, “The City has no TIF.”)**
11. We observed 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. **(If no TIF, state, “The City has no TIF.”)**
12. We traced selected receipts to accurate accounting and consistency with the recommended COA.
13. We traced voter approved levies to proper authorization in accordance with Chapter 384.12 of the Code of Iowa. **(If no voter approved levies, state, “The City has no voter approved levies.”)**
14. We traced selected disbursements to 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.
15. We traced transfers between funds to proper authorization and accurate accounting and determined whether proper. **(If no transfers, state, “The City has no transfers.”)**
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether proper.
17. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City’s compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Anywhere 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.

Marlys K. Gaston, CPA
Deputy Auditor of State

August 15, 2019

Detailed Recommendations

City of Anywhere

Detailed Findings and Recommendations

For the period July 1, 2018 through June 30, 2019
(for periodic examinations, specify twelve-month period of examination)

(A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements. 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, recording, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing 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) City Fire Department – All accounting functions are handled by one individual without adequate compensating controls. In addition, pre-numbered receipts are not issued, paid invoices or other supporting documentation are not properly cancelled and accounting records did not facilitate the proper classification of receipts or disbursements.

Recommendation – The Fire Department should segregate accounting duties to the extent possible, require the issuance of pre-numbered receipts for all collections, cancel invoices or other supporting documentation and properly classify receipts and disbursements in the accounting records.

(C) Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year. For the two months reviewed, the book balance exceeded the bank balance by \$156.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

City of Anywhere

Detailed Findings and Recommendations

For the period July 1, 2018 through June 30, 2019
(for periodic examinations, specify twelve-month period of examination)

- (D) Chart of Accounts – The City has not 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 recommended COA, or its equivalent, should be followed.

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (F) Monthly City Treasurer’s Report – The General and Special Revenue, Road Use Tax Fund October 2018 City Treasurer’s Report generated by the City’s software do not agree to the City’s general ledger balance. The general ledger balances were \$1,185 and \$305, respectively, more than the City Treasurer’s Report.

Recommendation – The City should establish procedures to ensure monthly City Treasurer’s reports are accurate. The City should work with its software provider to determine the cause for the report errors and take immediate action to correct the reports.

- (G) 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.

- (H) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one meeting tested were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required.

City of Anywhere

Detailed Findings and Recommendations

For the period July 1, 2018 through June 30, 2019
(for periodic examinations, specify twelve-month period of examination)

- (I) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the public works and culture and recreation 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.

- (J) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Dan Street, Public Works Director, owner of Earth Moving and Works	Water line and culvert repair and hydrant replacement	\$ 16,628

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (K) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Anywhere Country Club	Employee picnic, golf fees, golf carts and prizes	\$ 462
Subway	Food for budget work session	92

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 an improper purpose is very thin.

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

City of Anywhere

Detailed Findings and Recommendations

For the period July 1, 2018 through June 30, 2019
(for periodic examinations, specify twelve-month period of examination)

- (L) Payment of General Obligation Bonds – Principal and interest on the City’s general obligation sanitary sewer bonds were paid from the Enterprise, Sewer 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 Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- (M) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City has tax increment financing (TIF) debt of \$11,803 outstanding at June 30, 2019. The City had cash on hand of \$152,816 at June 30, 2019 in the Special Revenue, Urban Renewal Tax Increment Fund to pay the TIF debt outstanding. Therefore, the City had \$141,013 more cash on hand than needed to pay the TIF debt outstanding. Chapter 24.21 of the Code of Iowa requires, when the necessity for maintaining the TIF Fund ceases to exist, the excess balance remaining in the fund, if any, be remitted to the County Treasurer and allocated to the respective taxing districts.

Recommendation – The City should consult legal counsel to determine the disposition of the excess monies in the Special Revenue, Urban Renewal Tax Increment Fund. If the City has no further tax increment financing debt, the \$141,013 should be remitted to the County Treasurer in accordance with Chapter 24.21 of the Code of Iowa.

- (N) Separately Maintained Records – 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, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The City Fire Department and the City Library maintain bank accounts for activity separate from the City Clerk’s accounting records. While these Departments are part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

City of Anywhere

Detailed Findings and Recommendations

For the period July 1, 2018 through June 30, 2019
(for periodic examinations, specify twelve-month period of examination)

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account's receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Fire and Library Department separate accounts should be integrated with the City's accounting records in the City Clerk's office. The financial activity should be included in the City Clerk's accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City's budget process. Also, a summary of each account's receipts, total disbursements and listings of claims allowed each month should be published, as required.

- (O) 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 for several bank accounts.

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 Anywhere

Staff

This engagement was performed by:

Marlys K. Gaston, CPA, Deputy Auditor of State
Marcy Q. Reviewer, CPA, Manager
Jenny N. Charge, CPA, Senior Auditor II
Ryan H. Elper, Staff Auditor