

CITY OF UNIVERSITY HEIGHTS
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

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City of University Heights

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Louise From	Mayor	12/31/15
Carla Aldrich	Council Member	12/31/15
Mike Haverkamp	Council Member	12/31/15
Jim Lane	Council Member	12/31/15
Virginia Miller	Council Member	12/31/15
Silvia Quezada	Council Member	12/31/15
Christine Anderson	City Clerk	Indefinite
Lori Kimura	City Treasurer	Indefinite
Steven Ballard	Attorney	Indefinite



Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of University Heights pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of University Heights for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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 Treasurer'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 (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) 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 receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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.

We were not engaged to and did not conduct an audit of the operations of the City of University Heights, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of University Heights, 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 University Heights and other parties to whom the City of University Heights 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 University Heights during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Kronlage & Olson, P.C.

Charles City, Iowa
January 7, 2015

Detailed Recommendations

(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) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Financial reporting - preparing and reconciling.
- (6) Journal entries - preparing and journalizing.

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 evidenced by the signature or initials of the reviewer and the date of the review.

(B) City Council 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 the four meetings 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, as required.

(C) City Council Minutes - Council minute publications included total disbursements for the City, but did not include a total for each fund or a purpose for each disbursement, as required by the Code of Iowa

Recommendation - The City should comply with the Code of Iowa and publish total disbursements for each fund and include a purpose for each disbursement.

(D) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service and public safety 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.

(E) Determining Unclaimed Property - Long time outstanding checks that have not been cleared are not being remitted to the State Treasurer.

Recommendation - The city should comply with the Code of Iowa and report long time outstanding checks to the State Treasurer annually before November 1 as required by Chapter 556.11.

(F) Bank Reconciliations - The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, no independent review of the bank reconciliations was performed.

Recommendation - An independent individual should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(G) Subsequent Period Disbursements - Payroll liability checks, as well as two regular checks, were written in the subsequent period and then back-dated to reflect inclusion in the current period.

Recommendation - Individuals within the accounting function should be reminded that disbursements should be recorded and dated with the date actually prepared. Backdating of disbursements is not consistent with the cash receipts and disbursement basis of accounting.