

**CITY OF UNIVERSITY HEIGHTS**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD  
JULY 1, 2017 THROUGH JUNE 30, 2018**

**City of University Heights**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Louise From	Mayor	Jan 2019
Nick Herbold	Council Member	Jan 2019
Dotti Maher	Council Member	Jan 2019
Virginia Miller	Council Member	Jan 2019
Liesa Moore	Council Member	Jan 2019
Silvia Quezada	Council Member	Jan 2019
Christine Anderson	City Clerk	Indefinite
Lori Kimura	Treasurer	Indefinite
Steve Ballard	Attorney	Indefinite



**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 University Heights for the period July 1, 2017 through June 30, 2018, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of University Heights'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 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 2017 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.

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 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 University Heights during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Knowledge & Olson, P.C.*

Charles City, Iowa

January 22, 2019

## City of University Heights

### Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

- (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, 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.
- (8) Investing - recordkeeping, investing and custody of investment.
- (9) Debt - recordkeeping, compliance and debt payment processing.

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 cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, the bank reconciliations are not independently reviewed.

Recommendation - The City should establish procedures to ensure an independent person reviews the reconciliations and documents the review by signing or initialing and dating the monthly reconciliations.

- (C) Deposits and Investments - The City does not have an updated 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 update their 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.

- (D) 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 and a list of claims, with a name and a brief reasoning for each claim. All City Council minutes tested were properly posted within fifteen days of the meeting. However, none of the minutes include reasoning for each claim as required. In addition, one of the four minutes selected for testing were not signed by the City Clerk.

**City of University Heights**

**Detailed Recommendations**

**For the period July 1, 2017 through June 30, 2018**

Recommendation - The City should comply with Chapter 372.13(6) of the code of Iowa. The City should ensure the minutes, list of claims, reason of claims, summary of receipts, total disbursements by fund, summary of ordinances or amendments adopted and annual individual gross salaries are published as required.

- (E) Certified Budget - Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public works and general government functions prior to the budget amendment. Disbursements at year end exceeded the amounts budgeted in the culture and recreation, community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa state, 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.

- (F) Financial Condition - At June 30, 2018, the city had deficit balances in the Capital Projects Fund.

Recommendation - The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

- (G) Transfers - The City transfers money to and from various funds periodically. However, these transfers were not approved by the City Council prior to the actual transfer.

Recommendation - The City Council should approve all fund transfers prior to the actual transfer and document approval and amount(s) as part of the minute's record.

- (H) 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.

- (I) Annual Urban Renewal Report (AURR) - The AURR was not approved by the City Council and was not certified to the Iowa Department of Management on or before December 1. After working with the Iowa Department of Management to complete the filing, the report was approved and certified in February, 2018.

Recommendation - The City should approve and file the AURR timely.