

City of Grimes

Independent Accountant's Report
on Applying Agreed-Upon Procedures

For the period
December 1, 2017 through January 31, 2018



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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Report on Applying Agreed-Upon Procedures

City of Grimes

We have performed the procedures enumerated below, which were agreed to by the City of Grimes solely to assist you with respect to the accounting records of the City of Grimes for the period of December 1, 2017 through January 31, 2018. The City of Grimes' management is responsible for the City's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 as follows:

1. We obtained the City's financial reports and bank reconciliations for December 31, 2017 to determine whether the bank balances were properly reconciled to the general ledger account balances. The January 31, 2018 bank reconciliation had not been prepared at the time of field work. See recommendation A.

The bank statements were reconciled and agreed to the City's accounting system at December 31, 2017. We did note a considerable number of void checks listed on the reconciliation. We retrieved void checks from the file room and traced to the reconciliation. We found 15 checks voided but not included on the listing. Also, 8 checks were listed as void but could not be found. None of the 8 cleared the January bank statement.

2. We selected the bank deposits made during December 2017 and verified the bank deposit slips matched the cash receipts journal and that the cash and checks received were listed in the accurate category of income in the accounting system.

The deposits agreed to the accounting system and were properly categorized.

3. We reviewed the selected sample of deposits for monies from unusual sources, monies that did not list a source, monies for unusual amounts, cash deposits or income recorded through journal entries.

We did not note any monies from unusual sources, monies that did not list a source, monies of unusual amounts or any entries recorded through journal entries.

4. We selected a sample of 50 disbursements using a random number generator and verified that the canceled check matched the entry on the bank statement, that the payee, check number, check date and amount on the canceled check agreed to the corresponding entry in the organization's accounting system and that the canceled check included two authorized signatures.

For the checks sampled, the checks clearing the bank statement agreed to the check number, payee, date and amount recorded in the accounting system and that the canceled checks had two authorized signatures.

5. We reviewed the supporting documentation for the disbursements in the sample of 50 disbursements in step 4 above to determine if the disbursement was proper and that the disbursement was properly approved.

We did not note any unauthorized payments.

6. We reviewed the process of making disbursements for the use of a voucher system and the appropriate approval and cancellation of the invoice.

The City was using a voucher system during the year, but not on all purchases. The City attached a copy of the check written for payment to evidence approval.

7. We examined the bank statements for the use of a debit card.

We did not note any use of a debit card.

8. We reviewed the disbursements for the use of a City credit card.

The City has one credit card on Bankers Trust in the possession and control of the City Clerk.

9. We compared the total disbursements per the accounting system to the total charges on the bank statements.

The total disbursements reconciled to the bank statements.

10. We reviewed the records for the use of a petty cash fund.

The petty cash fund is kept by the utility billing clerk and balanced daily. The fund was counted and balanced to \$200.

11. We reviewed the City's budget and compared it to the City's actual receipts and disbursements.

The system does produce a monthly expenditure report comparing expenditures to budget. This report is not provided to the City Council. Some expenditures exceeded the budget, a fact not known by the City Council when approving bills for payment.

12. We scanned the cash disbursements for checks written for unusually large amounts, checks written for unusual purposes, large checks written to unfamiliar payees, checks payable to cash, checks written where no purpose is recorded, checks written out of sequence, duplicate payments and checks for travel advances.

All items noted were explained and accounted for, except as noted in #1 above.

13. We reviewed the City's purchases for the proper payment of state and local taxes.

Purchases included the payment of sales tax.

14. We confirmed the City's bank statement balances by direct confirmation from the bank.

The bank confirmed the balances in the bank accounts and the authorized check signors.

Based on the performance of the procedures described above, we identified various recommendations for the City of Grimes. Our recommendations are described in the Detailed Recommendations section of this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Grimes and is not intended to be and should not be used by anyone other than these specified parties.

Martens & Company, CPA, LLP

West Des Moines, Iowa
March 14, 2018

Detailed Recommendations

City of Grimes

Detailed Recommendations

For the period December 1, 2017 through January 31, 2018

- (A) Treasurer's report - A treasurer's report is a list of all funds with the following headings: Fund, Beginning cash, YTD revenues, Transfers in, Transfers out, YTD expenditures, Bank balance, Investments, Total balance.

Recommendation - We recommend that the City provide a treasurer's report to the City Council monthly. This would alert them to possible negative fund balances.

- (B) Bank reconciliations - January was not reconciled at the time of field work.

Recommendation - Banks should be reconciled soon after receipt. This is to ensure that all cash of the City is included in the financial statements/fund balances.

- (C) Procedures manual -The City has no procedures manual.

Recommendation - A procedures manual should be developed. This could be a valuable tool for new employees or for cross training of employees.

- (D) Depository resolution -The City has no depository resolutions on file.

Recommendation -A depository resolution which includes all depositories used by the City should be approved annually by Chapter 12C.2 of the Code of Iowa.

- (E) Cancelled checks - The City receives check images from the bank on checks that have cleared. These images only include the front of the check.

Recommendation - The City should also request that the bank provide an image of the back of the check to evidence proper endorsement and the City Council should review a sample of these during the year to determine that the endorsement agrees to the check payee.

- (F) Employee meals - Credit cards were used to purchase employee meals. The City has a resolution No. 06-2814 establishing policies for expenditure for public purposes. Meal payments were not documented.

Recommendation - The Attorney General's opinion dated April 25, 1979 sets out the requirements of public purpose. The resolution should be reviewed with the requirements of this opinion. Required are names of participants and reason for the meeting. The meal purchases showed no documentation of any kind.

(G) Expenditure report -The City Council does not receive a monthly expenditure report.

Recommendation -The City Council should receive a monthly expenditure report. This report compares the expenditures to date with the budget. This will help avoid budget overruns.