



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE _____ February 10, 2014 _____

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an examination report on the City of Murray, Iowa for the period July 1, 2012 through June 30, 2013. The examination 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, establish procedures to ensure monthly and annual financial reports are generated accurately and ensure bank reconciliations are completed monthly and are independently reviewed. The City should also comply with requirements established in the Code of Iowa related to the publication of City Council meeting minutes, the adoption of a written investment policy and surety bond coverage for City officials.

A copy of the examination 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 <http://auditor.iowa.gov/reports/1321-0169-BLOF.pdf>.

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CITY OF MURRAY
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

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City of Murray

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nik Werner	Mayor	Jan 2014
Scott Busick	Mayor Pro-Tem/Council Member	Jan 2014
Doug Black	Council Member	Jan 2014
Greg Clark	Council Member	Jan 2016
Jeannie Crees	Council Member	Jan 2016
Dean Robins	Council Member	Jan 2016
Ritha Wolfe	City Clerk/Treasurer	Indefinite
Paige McConnell	Deputy Clerk	Indefinite
Mark Elcock	Attorney	Indefinite



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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of the City Council:

We have performed an examination of the City of Murray 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 Murray for the period July 1, 2012 through June 30, 2013. 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 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 were 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 2012 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 receipts for accurate accounting and consistency with the recommended COA.

10. 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.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed the annual certified budget for proper authorization, certification and timely amendment.
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 City of Murray, the objective of which is the expression of opinions on the 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 Murray, 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 Murray and other parties to whom the City of Murray 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 Murray 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 9, 2013

Detailed Recommendations

City of Murray

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

(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, preparing and distributing.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) 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) Bank Reconciliations – Bank and investment balances were not reconciled to the book balances recorded in the City’s accounting system and the reconciliations were not reviewed by an independent person. Reconciliations attempted for two months during the year were incomplete and the variances of \$5,874.36 and \$879.91 were not resolved.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger balances monthly and the reconciliations should subsequently be reviewed by an independent person. Variances, if any, should be reviewed and resolved timely.

(C) Monthly Treasurer’s Report – The December 2012 Treasurer’s Revenue Report to the City Council generated by the City’s software did not include all receipts for the month. The December 2012 Treasurer’s Revenue Report totaled \$49,578.42. The total receipts per the ledger activity totaled \$68,399.01. Upon further review, the Treasurer’s Revenue Report did not include receipts for December 28, 2012.

Recommendation – The City should establish procedures to ensure reports are accurate. The City should work with its software provider to determine the cause of the omission and take action to correct the underlying issue.

City of Murray

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (D) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B 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.

- (E) 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 three 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.

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

- (G) Annual Financial Report – The 2012 Annual Financial Report (AFR) did not accurately report the beginning and ending fund balances for fiscal year 2012. Beginning balances for the governmental funds of \$500,495 and for the proprietary funds of \$444,607 were not reported, which resulted in the ending balances not agreeing to the City's June 30, 2012 general ledger.

Recommendation – The City should establish procedures to ensure the AFR, including the beginning and ending fund balances, is accurate and supported. The City should ensure fund balances from the prior year are carried forward and ending fund balances agree with the June 30 general ledger balances.

- (H) Surety Bond Coverage – Surety bond coverage for City officials and employees was not maintained for the year ended June 30, 2013 as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should comply with Chapter 64 of the Code of Iowa and periodically review its coverage for adequacy.

- (I) Employee Benefits Levy – The City levies property tax for insurance purposes. The property tax levy produced tax collections of \$52,852 recorded in the Special Revenue, Employee Benefits Fund. Insurance premiums paid from the Special Revenue, Employee Benefits Fund totaled \$45,328, indicating excess property tax is being levied for this purpose.

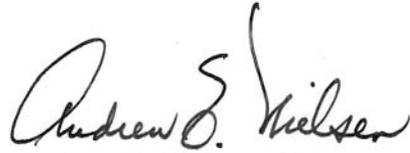
Recommendation – The property tax levy should be reduced to the estimated disbursements for insurance premiums. Amounts collected in excess of insurance premiums in the Special Revenue, Employee Benefits Fund should be used only for allowable purposes.

City of Murray

Staff

This examination was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Ryan T. Jelsma, Staff Auditor
Michael A. Chervek, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State