



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ February 27, 2014 _____ Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an examination report on the City of Wall Lake, 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.

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/1321-0769-BLOF.pdf>.

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

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City of Wall Lake

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Druivenga	Mayor	Jan 2014
Ray Boeckman	Council Member	Jan 2014
Daryl Potthoff	Council Member	Jan 2014
Gary Faber	Council Member	Jan 2016
Rob Germann	Council Member	Jan 2016
Francis Riedell	Council Member	Jan 2016
Chris Rodman	City Clerk/Treasurer	Indefinite
Warren Bush	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 Wall Lake 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 Wall Lake 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 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 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 audit of the City of Wall Lake, the objective of which is the expression of opinions on the City's 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 Wall Lake, 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 Wall Lake and other parties to whom the City of Wall Lake 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 Wall Lake 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

February 13, 2014

Detailed Recommendations

City of Wall Lake

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 – collecting, recording, depositing, journalizing and reconciling.

In addition, an initial listing of mail receipts is not prepared by the mail opener.

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 – Although monthly bank reconciliations were prepared, variances existed between the bank statement balance and the City’s general ledger fund balances. Additionally, the reconciliations were not reviewed by an independent person.

Recommendation – To improve financial accountability and control, variances between book and bank balances identified by the monthly bank reconciliations should be investigated and resolved timely. In addition, the reconciliations should be reviewed by an independent person and the reviews should be documented by the signature or initials of the reviewer and the date of the review.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – 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 reviews of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (D) Journal Entries – Journal entries were not reviewed and approved by an independent person.

Recommendation – To strengthen controls, journal entries should be reviewed and approved by an independent person.

- (E) Credit Card – The City has a credit card for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card purchases.

Recommendation – The City should adopt a formal written policy regulating the use of the City’s credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to support the purchase.

City of Wall Lake

Detailed Recommendations

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

- (F) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government and capital projects functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual 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.

- (G) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rob Germann, Council Member, Owner of Jamboree Foods	Supplies for the community pool	\$ 8,426
Ray Boeckman, Council Member, Owner of Wall Lake Popcorn	Popcorn	42

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with Council Member Boeckman does not appear to represent a conflict of interest since the transaction was less than \$2,500 during the fiscal year.

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with Jamboree Foods 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.

- (H) Investments – The City currently holds 100 shares of stock, which is not included in the list of allowable investments of public funds specified in Chapter 12B.10(5) of the Code of Iowa.

Recommendation – The City should consult legal counsel and determine the disposition of the stock.

- (I) General Obligation Bonds – 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 taxes, must be deposited in the debt service fund.” The City paid general obligation debt from funds other than the Debt Service Fund.

Recommendation – In the future, the City should transfer funds to the Debt Service Fund to pay general obligation debt.

City of Wall Lake

Detailed Recommendations

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

- (J) Revenue Bonds – The City has not established an electric revenue bond sinking account and has not made the required monthly transfers to the account.

Recommendation – The City should establish an electric revenue bond sinking account and ensure monthly transfers are made to the electric revenue bond sinking account as required.

- (K) Local Option Sales Tax – Local option sales tax (LOST) receipts are recorded in the General Fund. The LOST ballot requires the receipts be used for specified purposes. During the year, LOST disbursements were not tracked in a manner which documented compliance with the LOST ballot referendum provisions and annual City Council resolutions.

Recommendation – The City should establish a Special Revenue, Local Option Sales Tax Fund to record the collection, disbursement and balance of all LOST funds to document compliance with the LOST ballot referendum provisions.

- (L) Financial Condition – The Debt Service Fund and the Enterprise, Garbage/Landfill Utility Fund had deficit balances of \$21,578 and \$75,672, respectively, at June 30, 2013.

Recommendation – The City should investigate alternatives to return these funds to a sound financial position.

City of Wall Lake

Staff

This examination was performed by:

Jennifer Campbell, CPA, Manager
Tyler J. Guffy, Staff Auditor
Brandon A. Soda, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State