



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____ March 5, 2014 _____ Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an examination report on the City of Collins, 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 internal controls to obtain the maximum internal control possible over City funds and establish procedures to ensure proper documentation of disbursements. The City should also ensure compliance with the use of local sales and services tax receipts and comply with Code of Iowa requirements for the proper publishing of City Council minutes, budget amendments and electronic check retention.

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/1322-0813-BLOF.pdf>.

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

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City of Collins

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brett Comegys	Mayor	Jan 2014
Jerry Courter	Council Member	Jan 2014
Winston Reitan	Council Member	Jan 2014
N. Keith Stratton	Council Member	Jan 2014
Alan Graham	Council Member	Jan 2016
David Zeisneiss	Council Member	Jan 2016
Theresa Findlay	City Clerk	Indefinite
Joan Enfield	Treasurer	Indefinite
Tom Cahill	Attorney	Indefinite



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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of Collins 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 Collins 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 2013 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 revenue bonds, 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 recommended COA.
11. 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.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 Collins, 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 Collins, 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 Collins and other parties to whom the City 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 Collins 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

December 16, 2013

Detailed Recommendations

City of Collins

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, 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 – The cash and investment balances in the City’s general ledger were reconciled to bank and investment account balances throughout the year. However, for the two months reviewed, bank and book balances did not properly reconcile. Variances of \$105.84 and \$15.84 were not resolved. In addition, the bank reconciliations are not independently reviewed.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

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

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 should be documented by signing or initialing and dating the reconciliations.

City of Collins

Detailed Recommendations

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

- (D) Annual Financial Report – The 2013 Annual Financial Report omitted \$1,748,053 in disbursements for the proprietary funds and \$612 in receipts for the governmental funds, overstating the total ending fund balance by \$1,747,441.

Recommendation – The City should ensure all receipts and disbursements are included on the Annual Financial Report by reconciling all totals to the City’s financial reports. An independent person should review the report for accuracy.

- (E) Monthly Disbursement Review – The City Council is provided a listing of receipts by fund and disbursements by vendor at each monthly meeting. The March 2013 disbursements listing by vendor did not reconcile to the Treasurer’s monthly report. This variance of \$663.79 was not explained.

Recommendation – The City should establish procedures to ensure disbursements provided for review at each monthly meeting reconcile to information in the City’s accounting system. If the computer generated reports are not accurate, the City should work with its software provider to determine the cause for the report errors and take immediate action to correct the reports.

- (F) Treasurer’s Monthly Report – The City Council does not review the Treasurer’s Monthly Report.

Recommendation – To improve financial accountability, the Treasurer’s Monthly Report should be reviewed by the City Council at each monthly meeting.

- (G) City Council Disbursement Approval – The City Council approves disbursements at each monthly meeting after the invoices have been paid.

Recommendation – The City could adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

- (H) 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 and include total disbursements from each fund. One of four monthly minutes reviewed were not published within fifteen days. Also, three of four monthly minutes reviewed did not include total disbursements from each fund. In addition, meeting minutes and several resolutions were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days and include total disbursements by fund in the minutes. In addition, all minutes and resolutions should be signed to authenticate, as required.

City of Collins

Detailed Recommendations

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

- (I) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, health and social services and culture and recreation functions before the budget was amended on June 6, 2013. In addition, following the budget amendment, disbursements exceeded the amounts budgeted in the health and social services and culture and recreation 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.

- (J) Supporting Documentation – Supporting documentation was not initially available to support 2 of 30 disbursements tested in the amounts of \$3,244 and \$14.91. The invoices were subsequently obtained.

Recommendation – The City should maintain supporting documentation for all disbursements.

- (K) Bank Signature Card – The bank signature card included a former employee as an authorized check signer for one bank account tested.

Recommendation – The City should ensure the bank signature card is accurate and updated timely.

- (L) Local Option Sales and Services Tax – The City imposed a local sales and services tax in the City with receipts to be allocated as follows: 60% for property tax relief and 40% for human service agencies, the arts and community betterment. Documentation was not maintained to demonstrate the tax receipts were spent in accordance with the provisions of the referendum authorizing the collection of the tax.

Recommendation – The City should maintain documentation to demonstrate local option sales tax collections are disbursed in compliance with the provisions of the referendum.

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

Name, Title and Business Connection	Transaction Description	Amount
Darren Kennedy, Public Works Director, owner of Double D's Custom Vinyl	Banner for wellness center	\$ 40

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions do not represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

City of Collins

Detailed Recommendations

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

- (N) 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.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (O) Restrictive Endorsement – Checks were not restrictively endorsed immediately upon receipt.

Recommendation – To safeguard collections, checks should be restrictively endorsed immediately upon receipt and deposited on a timely basis.

- (P) Accounting Policies and Procedures Manual - The City does not have a written accounting policies and procedures manual addressing major operations of the City.

Recommendation – Accounting policies and procedures manuals should be developed to provide the following benefits:

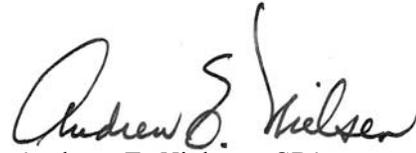
- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

City of Collins

Staff

This examination was performed by:

Suzanna R. Dahlstrom, CPA, Manager
Leanna J. Showman, Staff Auditor
James P. Moriarty, 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