



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ Contact: Andy Nielsen
May 20, 2014 515/281-5834

Auditor of State Mary Mosiman today released an examination report on the City of Lansing, 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. The City should establish procedures to ensure bank and utility reconciliations are completed monthly and are independently reviewed and the Annual Financial Report is prepared accurately. The City should take immediate steps to reduce and eventually eliminate the June 30, 2013 deficit balances of \$23,249, \$171,832, \$20,836 and \$56,077 in the Special Revenue, Employee Benefits, the Capital Projects, the 2011 Capital Projects-Water and the 2011 Capital Projects-Sewer Funds, respectively.

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/1321-0011-BLOF.pdf>.

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

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City of Lansing

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mike Verdon	Mayor	Jan 2014
William Burke	Council Member	(Resigned Jan 2013)
Jeff Bechtel	Council Member	Jan 2014
Beck Conway	Council Member	Jan 2014
Ross Kolsrud	Council Member/Mayor Pro tem	Jan 2016
Deb Volker	Council Member	Jan 2016
Katie Becker	City Clerk	Indefinite
Dan Ellefson	Deputy City Clerk	Indefinite



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Mary Mosiman, CPA
Auditor of State

Independent Accountant's Examination Report

To the Honorable Mayor
and Members of the City Council:

We have performed an examination of the City of Lansing 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 Lansing 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 (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. 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.
8. 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.
9. 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.

10. 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.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. 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.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 Lansing, the objective of which is the expression of opinions on 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 Lansing, 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 Lansing and other parties to whom the City of Lansing 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 Lansing 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

April 2, 2014

Detailed Recommendations

City of Lansing

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.
 - (8) Long-term debt – maintaining bond and other long term-debt records and performing cash functions related to long-term debt.
 - (9) Investments – detailed record keeping and custodianship.

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 not reconciled to bank and investment account balances throughout the year.

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

- (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 retained.

Recommendation – A listing of delinquent accounts should be prepared monthly and retained. 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, document the review by signing or initialing and dating the reconciliation and monitor delinquent accounts.

City of Lansing

Detailed Recommendations

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

- (D) Monthly Treasurer's Report – A monthly treasurer's report was not prepared throughout the year.

Recommendation – The City should establish procedures to ensure a monthly treasurer's report is prepared each month. The City Council should review the monthly treasurer's report for accuracy and completeness monthly.

- (E) 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.

- (F) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the culture and recreation, community and economic development 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 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.

- (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
William Burke, City Council member, Self employed	Grant application expenses	\$ 2,737
William Burke, City Council member, Owner of W.J. Burke & Associates	Food permits, professional services and consulting services	3,152
David Ellefson, Brother of Deputy City Clerk Daniel Ellefson,	Computer repair	335

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with William Burke 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. The transactions with David Ellefson do not appear to represent a conflict of interest because the total was less than \$2,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

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

City of Lansing

Detailed Recommendations

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

- (I) Financial Condition – At June 30, 2013, the City had deficit balances in the following funds:

Fund	Amount
Special Revenue:	
Employee Benefits	\$ 22,349
Capital Projects	171,832
2011 Capital Projects – Water	20,836
2011 Capital Projects – Sewer	56,077

In addition, the City's Local Option Sales Tax (LOST) Fund had a balance of \$212,605 at June 30, 2013. Per the LOST ballot, these funds are to be used 100% for "repairs, replacements, upgrades and new additions to the infrastructure systems of the City of Lansing, including sanitary sewer system, water distribution and treatment system, storm sewer, streets and street lights."

Recommendation – The City should take immediate steps to reduce and eventually eliminate the deficit balances to return the funds to a sound financial condition. The City should also investigate whether disbursements from the funds with deficit balances listed above meet the requirements of the LOST ballot. If so, the City could reimburse those funds from the Local Option Sales Tax Fund to begin to eliminate some of the deficit balances.

- (J) Payroll – Four of 5 payroll timesheets tested did not include evidence of supervisory review.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll. Approval should be documented by signing or initialing and dating the timesheets.

- (K) Annual Financial Report – The City's Annual Financial Report reported beginning fund balances which did not agree with the prior year's reported ending balances.

Ending fund balances for FY12 were believed by the City to be inaccurate. The City worked with its software company to resolve these differences. The City believes the fund balances reported on the FY13 AFR are accurate. Ending fund balances on the FY13 AFR agree to the City's records.

Recommendation – The City should report accurate amounts in the Annual Financial Report.

- (L) Transfer and Journal Entry Documentation – Supporting documentation was not maintained for interfund transfers and journal entries. Additionally, transfers and journal entries are not approved.

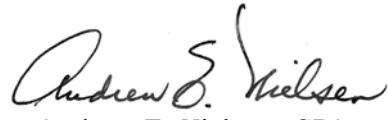
Recommendation – Supporting documentation should be maintained which substantiates all interfund transfers and journal entries. Additionally, all interfund transfers should be approved in the City Council minutes or the budget, as applicable. Journal entries should be approved by an independent person and the approval should be documented by signing or initialing and dating the journal entries.

City of Lansing

Staff

This examination was performed by:

James S. Cunningham, CPA, Manager
Kelly L. Hilton, Senior Auditor
Corey M. Vannausdle, Assistant Auditor



Andrew E. Nielsen

Andrew E. Nielsen, CPA
Deputy Auditor of State