



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____ May 20, 2014 _____

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an examination report on the City of Atkins, 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. In addition, the City should amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceed the amounts budgeted.

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/1321-0032-BLOF.pdf>.

###

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

Table of Contents

		<u>Page</u>
Officials		3
Independent Accountant’s Examination Report		4-5
Detailed Recommendations:	<u>Finding</u>	
Segregation of Duties	A	7
Payroll	B	7
Computer System	C	8
Reconciliation of Utility Billings, Collections and Delinquent Accounts	D	8
Delinquent Utility Accounts	E	8
Deposits and Investments	F	8
City Council Minutes	G	8
Certified Budget	H	9
Business Transactions	I	9
Annual Financial Report	J	9
General Obligation Bonds and Notes	K	9
Utility Rates	L	9
Transfer and Journal Entry Documentation	M	9
Pre-numbered Receipts	N	10
Annual Urban Renewal Report	O	10
Local Option Sales Tax	P	10
Official’s Utility Accounts	Q	10
Staff		11

City of Atkins

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Becker	Mayor	Jan 2014
Kevin Korsmo	Mayor Pro Tem	Jan 2014
Connie Drahos	Council Member	Jan 2014
David Duball	Council Member	Jan 2014
Tim Harbach	Council Member	Jan 2014
Diane Herman	Council Member	Jan 2014
Richard Lange	City Clerk/Treasurer	Indefinite
Don Hoskins	Attorney	Indefinite



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Accountant's Examination Report

To the Honorable Mayor
and Members of the City Council:

We have performed an examination of the City of Atkins 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 Atkins 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 (AFR) 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 Atkins, 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 Atkins, 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 Atkins and other parties to whom the City of Atkins 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 Atkins 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 27, 2014

Detailed Recommendations

City of Atkins

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) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
- (6) Debt – recordkeeping, compliance and debt payment processing.
- (7) Accounting system – performing all general accounting functions and having custody of assets.
- (8) Computer system – performing all general accounting functions and controlling all data input and output.
- (9) Financial reporting – preparing and reconciling.
- (10) Bank reconciliations – Although prepared monthly, the bank reconciliations were not reviewed by an independent person.

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) Payroll – Timesheets did not include evidence of supervisory review. Payroll checks are not kept in a secured location before they are distributed to employees. In addition, the review and approval of wage and withholding rates entered into the payroll system are not performed by an independent individual.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. The City should secure payroll checks in a locked cabinet before distribution. Additionally, an independent person should review and approve payroll rates entered into the payroll system and the review should be documented.

City of Atkins

Detailed Recommendations

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

- (C) Computer System – During our review of internal control, the existing control activities in the City’s computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer system were noted:

The City does not have written policies over the computer system for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring backups be performed daily and stored off site.

Also, the City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over its computer system. Also, a written disaster recovery plan should be developed and tested periodically.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were reconciled throughout the year. However, there is no evidence an independent review is performed.

Recommendation – A listing of delinquent accounts should be reviewed monthly. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts.

- (E) Delinquent Utility Accounts – The City has not been fully enforcing the ordinance pertaining to delinquent utility accounts. Service is not being shut-off, as described in the ordinance, when accounts become delinquent.

Recommendation – The City should comply with its ordinance pertaining to delinquent utility accounts.

- (F) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 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. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (G) 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 two meetings tested were not published within fifteen days.

City of Atkins

Detailed Recommendations

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

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days, as required.

- (H) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, general government, capital projects and business type 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.

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

Name, Title, and Business Connection	Transaction Description	Amount
Richard Lange, City Clerk, brother is owner of Atkins Lumber	Lumber and flag pole installation	\$ 1,933

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

- (J) Annual Financial Report – The receipts reported in the City’s Annual Financial Report do not agree with the amounts recorded in the City’s records.

Recommendation – The City should ensure the receipts included in future Annual Financial Reports are supported by the amounts recorded in the City’s records.

- (K) General Obligation Bonds and Notes – Principal and interest on the City’s general obligation urban renewal municipal building bonds and the general obligation capital loan notes were paid from the General Fund. 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 tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payments on the bonds should be made from the Debt Service Fund as required.

- (L) Utility Rates – The utility rates entered into the system are not reviewed and approved to ensure proper utility calculations and billing.

Recommendation – An independent individual should review and approve the utility rates periodically and when rates changes occur to ensure proper utility billings. The review should be documented.

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

City of Atkins

Detailed Recommendations

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

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

- (N) Pre-numbered Receipts – Pre-numbered receipts were not issued for all collections and an initial listing of collections was not prepared.

Recommendation – Pre-numbered receipts should be issued for all collections and an initial listing of collections should be prepared. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

- (O) Annual Urban Renewal Report – The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

The City's TIF revenues and debt outstanding, Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's records.

Recommendation – The City should ensure the balances reported on the Levy Authority Summary agree with the City's records.

- (P) Local Option Sales Tax – Local option sales tax (LOST) collections were recorded in the General Fund. The ballot establishing the local option sales tax calls for 20% of the receipts to be used for Atkins Fire Department and Atkins Recreation Department for equipment, 70% to be used for Community Center, City Hall, Library and community improvements and 10% to be used for property tax relief. The City has not been tracking the use of LOST receipts.

Recommendation – The City should record local option sales tax receipts in a special revenue fund to properly track the revenues and ensure the funds are spent according to the ballot provisions. The City should implement procedures to track LOST disbursements and transfers to ensure LOST receipts are being used in accordance with the ballot.

- (Q) Official's Utility Accounts – The Mayor and one City Council member have a history of being delinquent on their water bills. The City has not followed the normal shut-off notice or procedures with these accounts.

Recommendation – City officials should keep their utility accounts current and the City should follow the same penalty and shut-off procedures for City officials as it would for any other utility customer.

City of Atkins

Staff

This examination was performed by:

Jim Cunningham, CPA, Manager
Joshua Ostrander, Staff Auditor
Danielle R. Hausch, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State