



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

November 21, 2014

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Bertram, Iowa for the period August 1, 2013 through July 31, 2014. The agreed-upon procedures engagement 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, perform bank and utility reconciliations and ensure the reconciliations are independently reviewed. The City should also comply with Code of Iowa requirements for publication of City Council minutes.

A copy of the agreed-upon procedures 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/1422-0538-EP0P.pdf>.

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CITY OF BERTRAM

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
AUGUST 1, 2013 THROUGH JULY 31, 2014**

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City of Bertram

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Darwin Harmening	Mayor	Jan 2014
Penny Kula	Council Member	Jan 2014
Robert Malone	Council Member	Jan 2014
Nancy McBurney	Council Member	Jan 2014
William Mulholland	Council Member	Jan 2014
Stephanie Vislisel	Council Member	Jan 2014
Angeline Brown	City Clerk	Indefinite
Allene Bys	Treasurer	Indefinite
(After January 2014)		
James Drahos	Mayor	Jan 2016
Steve Carpenter (Appointed Sept 2014)	Council Member	Nov 2015
Penny Kula	Council Member	Jan 2016
Robert Malone	Council Member	Jan 2016
Nancy McBurney	Council Member	(Resigned Jun 2014)
William Mulholland	Council Member	Jan 2016
Stephanie Vislisel	Council Member	Jan 2016
Angeline Brown	City Clerk	(Resigned Jun 2014)
Lisa Berry (Appointed Jul 2014)	City Clerk	Indefinite
Allene Bys	Treasurer	(Resigned Feb 2014)
Donna Kephart (Appointed Feb 2014)	Treasurer	Indefinite

City of Bertram



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Bertram for the period August 1, 2013 through July 31, 2014. The City of Bertram's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

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 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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
9. 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.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. 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 Bertram, 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 Bertram, 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 Bertram and other parties to whom the City of Bertram 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 Bertram during the course of our agreed-upon procedures. 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

August 27, 2014

Detailed Recommendations

City of Bertram

Detailed Recommendations

For the period August 1, 2013 through July 31, 2014

(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.

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 documented by the signature or initials of the reviewer and the date of the review.

(B) Bank Reconciliations – The cash balances in the City’s general ledger were not reconciled to bank account balances throughout the year.

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

(C) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

(D) 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 – A listing of delinquent accounts should be prepared monthly. 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 review should be documented by the signature or initials of the reviewer and the date of the review.

City of Bertram

Detailed Recommendations

For the period August 1, 2013 through July 31, 2014

- (E) Utility Billings – For the month reviewed, two non-residential customers were not billed.

Recommendation – The City should establish procedures to ensure all customers are billed monthly.

- (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 to include total disbursements from each fund and a list of claims allowed, including the reason for the claim. Minutes did not include disbursements from each fund and the list of claims allowed did not include the reason for each claim. In addition, meeting minutes 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 include disbursements by fund and a listing of claims allowed, including reasons for the claims, in the published minutes. The City should comply with the Code of Iowa and properly sign the approved minutes.

- (H) Monthly Clerk's Report – A monthly Clerk's report, including a summary of revenues, disbursements and ending balances by fund, was not prepared throughout the year.

Recommendation – The City should establish procedures to ensure a monthly Clerk's report which includes a summary of receipts, disbursements and ending balances by fund is prepared each month. The City Council should review and approve the Clerk's report monthly and document the review with the signature or initials of the reviewer and the date of the review.

- (I) Annual Financial Report – A complete general ledger with balances for all funds is not maintained. Balances reported in the Annual Financial Report could not be traced directly to the City's general ledger.

Recommendation – The City should ensure the receipts and disbursements included in future Annual Financial Reports are supported by the amounts recorded in the City's general ledger.

- (J) Financial Condition – At July 31, 2014, the City had deficit balances of \$787 and \$16,503 in the Special Revenue, Road Use Tax and Local Option Sales Tax Funds, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

City of Bertram

Detailed Recommendations

For the period August 1, 2013 through July 31, 2014

- (K) 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 review should be documented.

- (L) Disbursement Documentation – Supporting documentation for two disbursements could not be located. In addition, supporting documentation is not furnished to the check signer prior to signing the checks and approval for payment is not documented by the signature or initials of the reviewer and the date of review on the supporting documentation. Also, the supporting documentation for claims is not cancelled to prevent reuse.

Recommendation – All disbursements should be supported by invoices or other supporting documentation. In addition, supporting documentation for disbursements should be reviewed by the check signer prior to signing checks. Payment approval should be documented by the signature or initials of the reviewer and the date of review on the supporting documentation. Also, the supporting documentation for claims should be cancelled to prevent reuse.

- (M) Charge Account – The City has a charge account at a local gas station for City business. The City has not adopted a formal policy to regulate the use of the charge account and has not established procedures for the proper accounting of charge account purchases.

Recommendation – The City should adopt a formal written policy regulating the use of the City's charge account. The policy, at a minimum, should address who is authorized to use the charge account and for what purposes, as well as the types of supporting documentation required to substantiate charges.

- (N) Checks Signed in Advance – Certain checks are signed before work is completed and are held between accounting periods.

Recommendation – Checks should not be signed before work is completed and should not be written and held. The City should amend the budget, as needed, to account for disbursements in the proper accounting period.

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

Name, Title and Business Connection	Transaction Description	Amount
Carlyle Bys, Husband of Treasurer, Self employed	Mowing/general maintenance	\$ 2,977

The transactions with Carlyle Bys do not appear to represent a conflict of interest because they were competitively bid.

City of Bertram

Detailed Recommendations

For the period August 1, 2013 through July 31, 2014

- (P) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Robert Malone	Reimbursement for plaque for former Mayor	\$ 41
Larry Hess	Late fee for late payment of invoice	10
Stephanie Vilisel	Memorial gift	25

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

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

Recommendation – To safeguard collections, checks should be restrictively endorsed immediately upon receipt.

- (R) Timesheets – Timesheets are not completed to substantiate hours worked prior to preparation of payroll.

Recommendation – Procedures should be established to ensure timesheets are completed and reviewed and approved by supervisory personnel prior to preparation of payroll. Supervisory review/approval should be documented by the supervisor’s initials and the date approved.

- (S) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual 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.

City of Bertram

Staff

This agreed-upon procedures engagement was performed by:

Brian R. Brustkern, CPA, Manager
Megan E. Irvin, Assistant Auditor
Kyle C. Smith, 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