



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ January 21, 2015 _____

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of New Vienna, 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 should review its control procedures to maintain the maximum internal control possible. The City should also have an independent person review bank reconciliations and retain the list of outstanding checks and deposits in transit each month.

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/1422-0296-EP0P.pdf>.

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CITY OF NEW VIENNA

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 New Vienna

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Pat Hermsen	Mayor	Jan 2016
Roger Langel	Council Member	Jan 2014
Mike Leuchs	Council Member	Jan 2014
Diane Knepper	Council Member	Jan 2016
Ken Meyer	Council Member	Jan 2016
Jim Naber	Council Member	Jan 2016
Angela Oberbroeckling	City Clerk	Indefinite
(After January 2014)		
Pat Hermsen	Mayor	Jan 2016
Diane Knepper	Council Member	Jan 2016
Ken Meyer	Council Member	Jan 2016
Jim Naber	Council Member	Jan 2016
Roger Langel	Council Member	Jan 2018
Mike Leuchs	Council Member	Jan 2018
Angela Oberbroeckling	City Clerk	Indefinite

City of New Vienna



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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 New Vienna for the period August 1, 2013 through July 31, 2014. The City of New Vienna'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 2014 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 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 receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
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 New Vienna, 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 New Vienna, 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 New Vienna and other parties to whom the City of New Vienna 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 New Vienna during the course of our agreed-upon procedures engagement. 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

September 4, 2014

Detailed Recommendations

City of New Vienna

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) Debt – recordkeeping, compliance and debt payment processing.
- (7) Journal entries – preparing and journalizing.
- (8) 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 – Although the cash and investment balances in the City’s general ledger were reconciled to bank and investment account balances throughout the year, the bank reconciliations were not independently reviewed. Also, a list of outstanding checks and deposits in transit which supports the bank reconciliations is not retained each month.

Recommendation – An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly reconciliations. A list of outstanding checks and deposits in transit which supports the bank reconciliations should also be retained each month.

(C) Utility Billings – Utility reconciliations were prepared monthly throughout the year, but there is no evidence they were independently reviewed. A delinquent account listing was not prepared monthly and retained. Also, one Council Member had a delinquent bill of \$73 as of February 25, 2014. This delinquent bill was subsequently paid.

Recommendation – A listing of delinquent accounts should be prepared monthly. 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 New Vienna

Detailed Recommendations

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

- (D) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the culture and recreation, general government and debt service 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.

- (E) Investment Policy – The City has not approved a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy as required.

- (F) Monthly City Clerk’s Report – A monthly City Clerk’s report, including a summary of receipts, disbursements and ending balances by fund as well as a comparison of budget to actual disbursements, is not prepared and presented to the City Council for approval.

Recommendation – The City Clerk should prepare a monthly City Clerk’s report which includes a summary of receipts, disbursements and ending balances by fund as well as a comparison of budget to actual disbursements. The City Council should review and approve the City Clerk’s report monthly.

- (G) 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 bank deposits and the accounting records by an independent person and the review should be documented by the signature or initials of the reviewer and the date of review.

- (H) Credit Cards – The City has credit cards and retail charge accounts for use by employees for City business. The City has not adopted a formal policy to regulate the use of credit cards or retail charge accounts and has not established procedures for the proper accounting of credit card and retail charge account purchases.

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

- (I) Payroll – Although time sheets were maintained for all employees, there was no indication the time sheets had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll. The hourly rate for the City Clerk could not be verified in the City Council meeting minutes.

Recommendation – Time sheets should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review. The City Council meeting minutes should document the salary or an hourly rate of pay for all employees when payroll is approved and pay raises are given.

City of New Vienna

Detailed Recommendations

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

- (J) Journal Entries – Journal entries are not reviewed and approved by an independent individual.

Recommendation – An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

- (K) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Diane Knepper, City Council, owner of J & D Mart	Fuel for city vehicles	\$6,173

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

- (L) City Council Meeting Minutes – Chapter 380.7 of the Code of Iowa requires meeting minutes to be signed. Four of four sets of minutes tested were not properly signed. Certain disbursements were not approved in the City Council meeting minutes in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and sign minutes to authenticate the actions taken, as required. 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 exceptions, the City Council should approve the disbursement at the next meeting.

- (M) Financial Condition – At July 31, 2014, the City had a deficit balance of \$8,776 in the Debt Service Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

- (N) Local Option Sales Tax (LOST) – The City’s LOST ballot requires LOST receipts be used 50% for the Sewer Fund and 50% for street improvements. The City did not use any of the LOST receipts during the period August 1, 2013 through July 31, 2014. The City has an outstanding general obligation street improvement loan and an outstanding State Revolving Fund Loan for sewer improvements.

Recommendation – The City should consider using LOST receipts to pay for future street improvement and sewer improvement projects or use it to pay debt associated with past street and sewer projects.

City of New Vienna

Detailed Recommendations

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

(O) Unused Checks - Unused checks are not stored in a secure location.

Recommendation - All unused checks should be stored in a secure location to prevent loss and misuse.

(P) Disbursement Documentation - Payment approval is not documented by the signature or initials of the reviewer and the date of review on the supporting documentation.

Recommendation - Payment approval should be documented by the signature or initials of the reviewer and the date of review on the supporting documentation.

City of New Vienna

Staff

This agreed-upon procedures engagement was performed by:

Brian R. Brustkern, CPA, Manager
Kelly L. Hilton, Senior Auditor
Tyler H. Moran, Auditor Intern

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