



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ January 21, 2015 _____

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Sidney, Iowa for the period July 1, 2013 through June 30, 2014. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City strengthen its internal controls and develop additional written policies and procedures. The City should also remit unclaimed property to the Office of Treasurer of State as required by Chapter 556.11 of the Code of Iowa.

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/1421-0343-BL0F.pdf>.

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CITY OF SIDNEY
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

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City of Sidney

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Paul Hutt	Mayor	Nov 2013
Todd Chapman	Council Member	Jan 2014
Ryan Kersten	Council Member	Jan 2014
Jill Travis	Council Member	Jan 2014
James Henderson	Council Member	Jan 2016
Joe Travis	Council Member	Jan 2016
Mark Travis	City Manager	Indefinite
Suzanne Moores	City Clerk/Treasurer	Indefinite
T.J. Pattermann	Attorney	Indefinite
(After January 2014)		
Paul Hutt	Mayor	Jan 2016
James Henderson	Council Member	Jan 2016
Joe Travis	Council Member	Jan 2016
Todd Chapman	Council Member	Jan 2018
Troy Gorham	Council Member	Jan 2018
Ryan Kersten	Council Member	Jan 2018
Mark Travis	City Manager	Indefinite
Suzanne Moores	City Clerk/Treasurer	Indefinite
T.J. Pattermann	Attorney	Indefinite

City of Sidney



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Mary Mosiman, CPA
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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 Sidney for the period July 1, 2013 through June 30, 2014. The City of Sidney'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 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 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 transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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 Sidney, 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 Sidney, 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 Sidney and other parties to whom the City of Sidney 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 Sidney 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 10, 2014

Detailed Recommendations

City of Sidney

Detailed Recommendations

For the period July 1, 2013 through June 30, 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, depositing, reconciling and recording.
 - (2) Investments – investing, recording and reconciling earnings.
 - (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (5) Payroll – record keeping, preparing and distributing.
 - (6) Journal entries – preparing and journalizing.

In addition, there is no evidence bank reconciliations are 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 bank reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – While the City attempted to reconcile utility billings, collections and delinquent accounts monthly, the beginning balance did not always agree to the prior month's ending balance. There is no evidence of independent review of the utility reconciliation.

Recommendation – As a part of the reconciliation process, the City should ensure the beginning balance used agrees to the prior month's ending balance. The City Council or other independent person designated by the City Council should review the reconciliations and sign or initial and date them to document the review.

- (C) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the community and economic development, general government 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.

City of Sidney

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (D) Bank Reconciliations – The cash and investment general ledger balances were not reconciled to bank and investment account balances throughout the year. For the two months reviewed, the bank and book balances did not properly reconcile.

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

- (E) Financial Reporting – Rent receipts of \$998 from the use of land around the sewer lagoons was incorrectly coded as agricultural land tax rather than as use of money and property.

Recommendation – The City should implement procedures to ensure receipts are properly coded.

- (F) Monthly City Clerk's Report – The May 2014 City Clerk's Report was not approved and documented in the minutes of the next month's City Council meeting.

Recommendation – The City should establish procedures to ensure the City Clerk's report is approved and the approval is documented in the City Council meeting minutes.

- (G) Local Option Sales Tax (LOST) – The City's LOST ballot requires LOST receipts be used 50% for community betterment, 25% for infrastructure and 25% for property tax relief. The City has not been tracking the use of LOST receipts.

Recommendation – The City should implement procedures to track LOST disbursements and transfers to ensure LOST receipts are being used in accordance with the ballot.

- (H) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit outstanding obligations, including checks, trusts and bonds, held for more than two years to the Office of Treasurer of State annually. The City has not remitted unclaimed property to the Office of Treasurer of State annually.

Recommendation – The City should implement procedures to ensure outstanding checks, trusts, and bonds are reviewed annually and amounts over two years old are remitted to the Office of Treasurer of State, as required.

City of Sidney

Staff

This agreed-upon procedures engagement was performed by:

Brian R. Brustkern, CPA, Manager
Daniel J. Mikels, Staff Auditor
Nathaniel W. Packer, 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