



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
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Lambs Grove, 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. The City should also comply with the official depository requirements of Chapter 12C.2 of the Code of Iowa and the electronic check retention requirements of Chapter 554D.114 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/1422-0465-EP0P.pdf>.

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CITY OF LAMBS GROVE

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 Lambs Grove

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Bill Perrenoud	Mayor	Jan 2014
Tom Clark	Council Member	Jan 2014
Kent DeGoey	Council Member	Jan 2014
Cindy Humke	Council Member	Jan 2014
Kevin Parsons	Council Member	Jan 2014
Ken Slothouber	Council Member	Jan 2014
Christina Machin	City Clerk/Treasurer	Indefinite
(After January 2014)		
Bill Perrenoud	Mayor	Jan 2016
Tom Clark	Council Member	Jan 2016
Kent DeGoey	Council Member	Jan 2016
Cindy Humke	Council Member	Jan 2016
Kevin Parsons	Council Member	Jan 2016
Steve Thomassen	Council Member	Jan 2016
Christina Machin	City Clerk/Treasurer	Indefinite

City of Lambs Grove



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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 on 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 Lambs Grove for the period August 1, 2013 through July 31, 2014. The City of Lambs Grove 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 (CFC) 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 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 Lambs Grove, 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 Lambs Grove, 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 Lambs Grove and other parties to whom the City of Lambs Grove 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 Lambs Grove 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 Lambs Grove

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) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (5) Journal entries – preparing and journalizing.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (8) Computer system – performing all general accounting functions, controlling all data input and output and having custody of assets.
- (9) 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 – Bank and investment balances were not reconciled to the book balances recorded in the City’s accounting system and the reconciliations were not reviewed by an independent person.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger balances monthly. The reconciliations should be reviewed by an independent person and the review should be documented by signing or initialing and dating the reconciliation.

(C) Investments – An accounting record/register is not maintained for each investment, investments are not confirmed and investment earnings are not verified.

Recommendation – An accounting record/register should be maintained for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number.

City of Lambs Grove

Detailed Recommendations

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

- (D) Disbursements – While the City Council notes approval of claims in the minutes and a list of claims is prepared, payment approval is not documented by the signature or initials of the reviewer and the date of approval on the supporting documentation. Also, invoices are not compared to purchase orders or receiving reports and checked for mathematical accuracy. In addition, supporting documentation for claims is not cancelled to prevent reuse.

Recommendation – Payment approval should be documented by the signature or initials of the reviewer with the date of review on the supporting documentation. Also, invoices should be compared to purchase orders or receiving reports and the mathematical accuracy should be verified. In addition, supporting documentation for claims should be cancelled to prevent reuse.

- (E) Official Depositories – 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 – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

- (F) 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.

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.

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

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

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

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

- (I) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City's Annual Financial Report reported receipts, disbursements and fund balances which do not agree with the City's records.

Recommendation – The City should ensure future Annual Financial Reports agree with the City's records.

City of Lambs Grove

Detailed Recommendations

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

- (J) Monthly City Clerk's Report – The Monthly City Clerk's Report showed no evidence of independent review.

Recommendation – The City should ensure the Monthly City Clerk's Report is reviewed by an independent person and the review is documented by the signature or initials of the reviewer and the date of review.

- (K) City Council Meeting Minutes – Meeting minutes were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – All minutes should be signed to authenticate the actions taken, as required.

- (L) Gross Pay of Elected Officials – According to the City's Code of Ordinances, the Mayor and each City Council Member should be paid \$32 and \$25 for each month, respectively. However, the City has not withheld Federal Insurance Contribution Act (FICA) tax from their gross pay, as required.

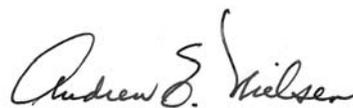
Recommendation – The City should ensure FICA has been withheld from elected officials gross pay, as required.

City of Lambs Grove

Staff

This agreed-upon procedures engagement was performed by:

Timothy D. Houlette, CPA, Manager
Janell R. Wieland, Assistant Auditor
Daniel Nilsen, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State