



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ April 2, 2015 _____

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the Grand Junction Municipal Utilities, Grand Junction, Iowa for the period December 1, 2013 through November 30, 2014. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the Utilities review its control procedures to obtain the maximum internal control possible. The Utilities should also comply with the Board meeting minutes publication requirements of Chapter 388.4 of the Code of Iowa.

A copy of the agreed-upon procedures report is available for review in the Grand Junction Municipal Utilities' Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1423-0005-EP0P.pdf>.

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GRAND JUNCTION MUNICIPAL UTILITIES

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
DECEMBER 1, 2013 THROUGH NOVEMBER 30, 2014

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Grand Junction Municipal Utilities

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Mick Burkett	President	Jan 2014
Eleanor Krieger	Board Member	Jan 2014
Dale Higgins	Board Member	Jan 2016
Jeff Thorpe	Board Member	Jan 2016
Kate Neese	Board Member	Jan 2018
(After January 2014)		
Mick Burkett	President	Jan 2020
Dale Higgins	Board Member	Jan 2016
Jeff Thorpe	Board Member	Jan 2016
Kate Neese	Board Member	Jan 2018
Eleanor Krieger	Board Member	Jan 2020

Grand Junction Municipal Utilities



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Members of the Grand Junction
Municipal Utilities Board:

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 and municipal utilities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the Grand Junction Municipal Utilities for the period December 1, 2013 through November 30, 2014. The Grand Junction Municipal Utilities' management, which agreed to the performance of the procedures performed, is responsible for the Utilities' 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 Utilities Board meeting minutes for compliance with Chapters 21 and 388.4 of the Code of Iowa.
2. We reviewed the Utilities 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 Utilities 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 Utilities Board.
5. 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.
6. We reviewed debt, including 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.
7. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended chart of accounts.

8. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
9. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
10. 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 Utilities Board. 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 Grand Junction Municipal Utilities, the objective of which is the expression of opinions on the Utilities' financial statements. Accordingly, we do not express opinions on the Utilities' financial statements. Had we performed additional procedures, or had we performed an audit of the Grand Junction Municipal Utilities, 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 Grand Junction Municipal Utilities and other parties to whom the Grand Junction Municipal Utilities 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 Grand Junction Municipal Utilities 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

January 15, 2015

Detailed Recommendations

Grand Junction Municipal Utilities

Detailed Recommendations

For the period December 1, 2013 through November 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 Utilities:
- (1) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions, handling and recording cash and signing checks.
 - (2) Long-term debt – recording, reconciling and performing cash functions.
 - (3) Receipts – opening mail, collecting, depositing, reconciling, posting and maintaining accounts receivable records.
 - (4) Disbursements – purchasing, invoice processing, check writing and signing, mailing, reconciling and recording.
 - (5) Payroll – recordkeeping, preparing, check writing, signing and distributing.
 - (6) Compensated absences – not reviewed by an independent person.
 - (7) Journal entries – preparing and journalizing with no review by an independent person.

In addition, an independent person does not enter utility or payroll rates in the computer system.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Utilities should review its control procedures to obtain the maximum internal control possible under the circumstances. The Utilities should utilize current personnel and Utilities Board officials to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank and Utility Reconciliations – The cash balances in the Utilities' general ledger were reconciled to bank account balances monthly and the Utilities performs reconciliations of utility billings to collections and delinquent accounts. However, the reconciliations are not reviewed and approved by an independent person. In addition, one employee of the Utilities had a delinquent balance at November 30, 2014.

Recommendation – To improve financial accountability and control, reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review. The Utilities Board should also monitor delinquent accounts.

- (C) Monthly Financial Reports – The monthly financial reports provided to the Utilities Board do not include a comparison of actual disbursements to budgeted disbursements. In addition, the financial report does not include the balance of the Utilities' savings account. The savings account balance was \$857 at November 30, 2014.

Grand Junction Municipal Utilities

Detailed Recommendations

For the period December 1, 2013 through November 30, 2014

Recommendation – To improve financial accountability and control, monthly financial reports provided to the Utilities Board should include a comparison of actual disbursements to budgeted disbursements and include the savings account balance.

- (D) Disbursements – Invoices or other supporting documentation did not contain evidence of approval by an independent individual. The Utilities Board does not receive a list of disbursements for approval until after checks have been issued. In addition, unused checks were not properly safeguarded.

Recommendation – An independent individual should review disbursements and document evidence of approval on invoices or other supporting documentation prior to the issuance of checks. The Board should be provided a list of disbursements for approval prior to the checks being issued. Unused checks should be adequately controlled and safeguarded.

- (E) Payroll – Timecards are not approved by an authorized individual. Approval of employee pay rates could not be located in the minutes.

Recommendation – Timecards should be reviewed and approved by an authorized individual. The timecards should be signed to document the review and approval. Employee pay rates should be periodically reviewed and approved and the approval should be documented in the Board minutes.

- (F) Deposits and Investments – A resolution naming official depositories has not been adopted by the Utilities Board as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The Board, 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) Board Minutes – Chapter 388.4 of the Code of Iowa requires minutes of all City Utility Board proceedings be published immediately following the meeting. The publication must include a list of claims allowed, including the payee, the reason for the claim and the amount of the claim. The Utilities does not publish the required information.

Recommendation – The Utilities should comply with the publication requirements of Chapter 388.4 of the Code of Iowa.

- (H) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Utilities 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 Utilities does not receive an image of the back of each cancelled check for their bank accounts.

Recommendation – The Utilities should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

Grand Junction Municipal Utilities

Staff

This agreed-upon procedures engagement was performed by:

Tammy A. Hollingsworth, CIA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Jessica L. Russell, 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