



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ September 17 , 2015 _____

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Collins, 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 review its internal controls to obtain the maximum internal control possible and establish procedures to ensure disbursements are approved prior to payment. The City should also establish procedures to ensure bank and investment balances are reconciled to the general ledger monthly and variances are reviewed and resolved timely. In addition, the City should ensure compliance with the use of local option sales and services tax receipts and comply with Code of Iowa requirements for the proper publishing of City Council minutes, budget amendments, electronic check retention and business transactions between the City and City officials.

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/1422-0813-BL0F.pdf>.

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CITY OF COLLINS

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 Collins

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Brett Comegys	Mayor	Jan 2014
Jerry Courter	Council Member	Jan 2014
Winston Reitan	Council Member	Jan 2014
N. Keith Stratton	Council Member	Jan 2014
Alan Graham	Council Member	Jan 2016
David Zeisneiss	Council Member	Jan 2016
Theresa Findlay	City Clerk	Indefinite
Joan Enfield	Treasurer	Indefinite
Tom Cahill	Attorney	Indefinite
<u>(After January 2014)</u>		
Brett Comegys	Mayor	Jan 2016
Alan Graham	Council Member	(Deceased May 2014)
Jason Christie (Appointed)	Council Member	Nov 2015
David Zeisneiss	Council Member	Jan 2016
Jerry Courter	Council Member	Jan 2018
Gregory Schleuter	Council Member	Jan 2018
N. Keith Stratton	Council Member	Jan 2018
Theresa Findlay	City Clerk	Indefinite
Joan Enfield	Treasurer	Indefinite
Tom Cahill	Attorney	Indefinite

City of Collins



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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 Collins for the period July 1, 2013 through June 30, 2014. The City of Collins'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 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 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 Collins, 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 Collins, 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 Collins and other parties to whom the City of Collins 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 Collins 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 22, 2015

Detailed Recommendations

City of Collins

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 and investments – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, 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.
- (7) Journal entries – preparing and journalizing.

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 and investment balances in the City’s general ledger were reconciled to the bank and investment account balances throughout the year. However, for the two months reviewed, bank and book balances did not properly reconcile. Variances of \$4,319 and \$4,610 were not resolved. In addition, the bank reconciliation for one month was not independently reviewed.

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

(C) 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 – 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 reviews should be documented by signing or initialing and dating the reconciliations.

City of Collins

Detailed Recommendations

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

- (D) Financial Reports – Although the Annual Financial Report (AFR) and the Treasurer’s Monthly Reports are prepared, the reports do not agree with the general ledger or bank balances. Monthly reports provided to the City Council do not include a comparison of actual results to budget by function. Also, the City Council does not review or approve the Treasurer’s Monthly Reports.

Recommendation – The City should establish procedures to ensure the AFR and the Treasurer’s Monthly Reports reconcile to the general ledger and bank balances. To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, monthly financial reports provided to the City Council should include comparisons of actual results to the budget by function. To improve financial accountability, the Treasurer’s Monthly Reports should be reviewed and approved by the City Council at each monthly meeting.

- (E) Financial Condition – At June 30, 2014, the City had a deficit balance of \$168,304 in the General Fund.

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

- (F) City Council Disbursement Approval – The City Council approves disbursements at each monthly meeting after the invoices have been paid.

Recommendation – The City could adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for its review and approval.

- (G) Deposits and Investments – The City has adopted a written investment policy. However, the policy refers to an outdated Chapter of the Code of Iowa rather than Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should modify the written investment policy to reference current Code of Iowa provisions.

- (H) City Council Meeting Minutes – Chapter 380.4(1) of the Code of Iowa requires the City Council meeting minutes include each City Council member’s vote on a measure. Minutes for one meeting tested did not include sufficient information to determine the vote of each City Council member. Chapter 380.7(3) of the Code of Iowa requires the City to publish a summary of all ordinances or the complete text of ordinances and amendments adopted. For one meeting tested, a summary or the complete text of the ordinance adopted at the meeting was not published. 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 record each City Council member’s vote on measures and publish a summary or the complete text of all ordinances adopted in the City Council meeting minutes. In addition, all meeting minutes should be signed to authenticate the actions taken, as required.

City of Collins

Detailed Recommendations

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

- (I) Monthly Disbursement Review – The City Council is provided a listing of receipts by fund and disbursements by vendor at each monthly meeting. The August 2013 disbursements listing by vendor and receipts by fund did not reconcile to the Treasurer’s monthly report. The variances of \$778 for disbursements and \$13 for receipts were not explained.

Recommendation – The City should establish procedures to ensure disbursements and receipts provided for review at each monthly meeting reconcile to information in the City’s accounting system. If the computer generated reports are not accurate, the City should work with its software provider to determine the cause of the report errors and take immediate action to correct the reports.

- (J) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the health and social services, general government and business type activities functions before the budget was amended on June 12, 2014. In addition, disbursements exceeded the amounts budgeted in the public works and general government functions following the budget amendment. 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.”

In addition, Chapter 384.16(5) of the Code of Iowa states, in part, “After the hearing, the council shall adopt by resolution a budget for at least the next fiscal year.” The City Council meeting minutes do not reflect the City Council’s vote to approve the resolution adopting the fiscal year 2014 budget.

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. The City Council meeting minutes should record the approval of the resolution adopting the budget.

- (K) Local Option Sales and Services Tax – The City imposed a local option sales and services (LOST) tax in the City with receipts to be allocated 60% for property tax relief and 40% for human service agencies, the arts and community betterment. Documentation was not maintained to demonstrate LOST receipts were spent in accordance with the provisions of the referendum authorizing the collection of the tax.

Recommendation – The City should maintain documentation to demonstrate local option sales tax collections are disbursed in compliance with the provisions of the referendum.

- (L) 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
Brett Comegys, Mayor	Grant writing fees	\$2,537

In accordance with Chapter 362.5(3)(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.

City of Collins

Detailed Recommendations

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

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (M) 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 for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (N) Authorized Salaries – The approved hourly rates and subsequent wage rate increases for City employees were not included in the City Council meeting minutes. In addition, although timesheets were prepared for all employees, there was no indication the timesheets for the City Clerk were reviewed and approved.

Recommendation – Approved hourly rates and wage increases for employees should be documented in the City Council meeting minutes. All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Supervisory approval should be documented by the signature or initials of the supervisor and the date of approval.

- (O) Accounting Policies and Procedures Manual – The City does not have a written accounting policies and procedures manual addressing major operations of the City.

Recommendation – Accounting policies and procedures manuals should be developed to provide the following benefits:

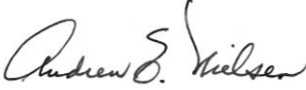
- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

City of Collins

Staff

This agreed-upon procedures engagement was performed by:

Timothy D. Houlette, CPA, Manager
Leanna J. Showman, Senior Auditor
Nathaniel W. Packer, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State