



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ May 23, 2016

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Lansing, Iowa for the period July 1, 2014 through June 30, 2015. 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 take immediate steps to reduce and eventually eliminate the June 30, 2015 deficit balances in the Debt Service Fund, the Special Revenue, FEMA Fund and the Capital Projects Fund.

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/1521-0011-BLOF>.

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CITY OF LANSING

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015**

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City of Lansing

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Brennan	Mayor	Jan 2016
David Darling	Council Member	(Resigned Apr 2015)
Deb Volker (Appointed May 2015)	Council Member	Nov 2015
Dick Roeder	Council Member	Jan 2016
Rebecca Conway	Council Member/Mayor Protem	Jan 2018
Ross Kolsrud	Council Member	Jan 2018
Pat Wagner	Council Member	Jan 2018
Katie Becker	City Clerk/Administrator	Indefinite
Dan Ellefson	Deputy City Clerk	Indefinite
Rick Zahasky	Attorney	Indefinite

City of Lansing



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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 Lansing for the period July 1, 2014 through June 30, 2015. The City of Lansing'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 2015 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 tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Lansing, 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 Lansing and other parties to whom the City of Lansing 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 Lansing 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

February 17, 2016

Detailed Recommendations

City of Lansing

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

(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) Investments – investing, recordkeeping and custody.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing and posting.
- (7) Journal entries – preparing and journalizing.
- (8) Long-term debt - maintaining records, recording 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) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, community and economic development, debt service and business type activities 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.

(C) Financial Condition – At June 30, 2015, the City had deficit balances of \$26,098, \$30,401 and \$23,700 in the Debt Service, Special Revenue, FEMA and Capital Projects Funds, respectively.

In addition, the City’s Special Revenue, Local Option Sales Tax (LOST) Fund had a balance of \$223,842 at June 30, 2015. Per the LOST ballot, these funds are to be used 100% for “repairs, replacements, upgrades and new additions to the infrastructure systems of the City of Lansing, including sanitary sewer system, water distribution and treatment system, storm sewer, streets and street lights.”

City of Lansing

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

Recommendation – The City should take immediate steps to reduce and eventually eliminate the deficit balances to return the funds to a sound financial condition. The City should also investigate whether disbursements from the funds with deficit balances meet the requirements of the LOST ballot. If so, the City should reimburse those funds from the Special Revenue, Local Option Sales Tax Fund to begin to eliminate some of the deficit balances.

- (D) Payroll – Two of five payroll timesheets tested did not include evidence of supervisory review and approval. In addition, annual salary increases for all City employees were approved based on a percentage and the actual approved wages were not documented in the City Council meeting minutes.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Approval should be documented by signing or initialing and dating the timesheets. Actual approved wages and hourly rates should be documented in the City Council meeting minutes.

- (E) Annual Financial Report – The City’s Annual Financial Report (AFR) omitted transfers in and out of \$56,165 and reported certain disbursements in incorrect funds, resulting in the ending balances not agreeing to the City’s June 30, 2015 general ledger by fund.

Recommendation – The City should ensure all transfers and disbursements are properly reported in the AFR.

- (F) Transfers and Journal Entries – Supporting documentation was not maintained for journal entries and journal entries were not approved. One of two transfers tested was not approved.

Recommendation - Supporting documentation should be maintained which substantiates all journal entries. Additionally, all interfund transfers should be approved in the City Council meeting minutes or budget, as applicable. Journal entries should be approved by an independent person and the approval should be documented by signing or initialing and dating the journal entries.

- (G) City Council Disbursement Approval – Four disbursements tested were excluded from the monthly claims listing and, accordingly, were not approved by the City Council.

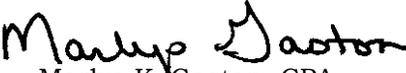
Recommendation – All disbursements should be approved by the City Council.

City of Lansing

Staff

This examination was performed by:

Tammy A. Hollingsworth, CIA, Manager
Joe B. Sparks, Staff Auditor
Preston R. Grygiel, Assistant Auditor


Marlys K. Gaston, CPA
Director