



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

State Capitol Building
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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

July 12, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Dike, 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 control procedures to obtain the maximum internal control possible. The City should also establish procedures to ensure bank reconciliations are completed monthly. In addition, the City should comply with Chapter 384.18 of the Code of Iowa by amending its budget before disbursements are allowed to exceed the budget.

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 <https://auditor.iowa.gov/reports/1421-0355-BLOF>.

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CITY OF DIKE

**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 Dike

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Michael Soppe	Mayor	Jan 2016
Nicholas Cleveland	Council Member	Jan 2014
Chad Cutsforth	Council Member	Jan 2014
Wayne Paige	Council Member	Jan 2014
Luke Osterhaus	Council Member	Jan 2016
Rob Weissenfluh	Council Member	Jan 2016
Patti Freese	City Clerk	Indefinite
Ann Hilliard	Deputy Clerk	Indefinite
Gary N. Jones	Attorney	Indefinite
(After January 2014)		
Michael Soppe	Mayor	Jan 2016
Luke Osterhaus	Council Member	Jan 2016
Rob Weissenfluh	Council Member	Jan 2016
Nicholas Cleveland	Council Member	Jan 2018
Chad Cutsforth	Council Member	Jan 2018
Bob Haugebak	Council Member	Jan 2018
Patti Freese	City Clerk/Treasurer	Indefinite
Ann Hilliard	Deputy Clerk	Indefinite
Gary N. Jones	Attorney	Indefinite

City of Dike



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

April 7, 2016

Detailed Recommendations

City of Dike

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, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, 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) Investments – recording and custody of investment documents.
- (7) Long-term debt – recording, reconciling and performing cash functions.

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 not reconciled to bank account and investment balances throughout the year. For the two months selected, bank and book balances were not reconciled. In addition, outstanding check listings were not retained.

Recommendation – The City should establish procedures to ensure all bank account and investment balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations. In addition, listings of outstanding checks should be retained to support month end balancing.

(C) Investments – An accounting record/register is not maintained for each investment.

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

(D) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were reconciled throughout the year. However, the reconciliations were not reviewed by an independent person for propriety.

Recommendation – The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

City of Dike

Detailed Recommendations

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

- (E) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works, culture and recreation, debt service and general government 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.

- (F) Payroll – Timesheets did not always include evidence of supervisory review. In addition, the Library Board meeting minutes did not document approval of the hourly rate for Library employees.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll. In addition, the hourly rate for Library employees should be documented in the Library Board meeting minutes.

- (G) Financial Condition – At June 30, 2014, the City had deficit balances in the following funds:

<u>Fund</u>	<u>Amount</u>
General	\$ 421,840
Special Revenue:	
Road Use Tax	15,735
Employee Benefits	33,140
Debt Service	1,442
Capital Projects:	
SRF Plan & Design	6,146
Enterprise:	
Sales Tax	17,230

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

- (H) 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 2014 Annual Financial Report reported a total fund balance which was \$63,352 less than the City’s general ledger balance.

Recommendation – The City should establish procedures to ensure the Annual Financial Report is accurate and agrees with the City’s general ledger.

- (I) Pool Loan – The City incorrectly recorded \$8,249 of loan principal and interest as \$3,890 of principal and \$4,359 of interest. The City should have reported \$7,741 of principal and \$508 of interest.

Recommendation – The City should establish procedures to ensure principal and interest on loans are properly recorded.

City of Dike

Detailed Recommendations

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

- (J) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities 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 did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

- (K) Transfer and Journal Entry Documentation – Supporting documentation was not maintained for all transfers and journal entries. In addition, transfers and journal entries are not approved by an independent person.

Recommendation – Supporting documentation should be maintained which substantiates all transfers and journal entries. In addition, approval of transfers should be evidenced in the City Council meeting minutes or budget, as applicable. Journal entries should be approved by an independent person and evidence of the approval should be documented.

- (L) Local Option Sales Tax – The City's local option sales tax (LOST) ballot requires LOST receipts be used as follows: 60% for curb, gutter, street and sidewalk improvements, 20% for property tax relief and 20% for community betterment. On March 14, 2014, the City Council passed a resolution to use LOST funds to eliminate the deficit in the Special Revenue, Road Use Tax Fund and a portion of the deficit in the General Fund. On March 27, 2014, the City transferred \$241,114 and \$278,093 from the Special Revenue, LOST Fund to the General Fund and the Special Revenue, Road Use Tax (RUT) Fund, respectively.

The City did not maintain documentation to support the LOST amounts transferred to the General Fund and the Special Revenue, RUT Fund. Accordingly, we were unable to determine whether the LOST funds were used in accordance with the LOST ballot.

Recommendation – The City should determine and document, to the voucher level, the disbursements covered by the LOST transfers. Amounts transferred in excess of the amount allowed by the LOST ballot should be returned to the Special Revenue, LOST Fund.

City of Dike

Staff

This agreed-upon procedures engagement was performed by:

Michelle B. Meyer, CPA, Manager
Kelly L. Hilton, Senior Auditor II
Marcus B. Johnson, Assistant Auditor
Ryan M. Barrett, Assistant Auditor


Marlys K. Gaston, CPA
Director