



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ September 12, 2016

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Soldier, Iowa for the period January 1, 2015 through December 31, 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. In addition, the City should amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the amounts budgeted.

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/1522-0637-EPOP>.

# # #



**CITY OF SOLDIER**

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

**FOR THE PERIOD**  
**JANUARY 1, 2015 THROUGH DECEMBER 31, 2015**

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**City of Soldier**

**Officials**

**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Guy Dean Coleman	Mayor	(Resigned Jul 2015)
Walker Carrigan (Appointed July 2015)	Mayor	Nov 2015
Kerri Carrigan	Council Member	Jan 2016
Walker Carrigan	Council Member	(Resigned Jul 2015)
Josh Gran	Council Member	Jan 2016
Sandra Harris (Appointed Aug 2015)	Council Member	Nov 2015
John Larson	Council Member	Jan 2018
Shawn Lee	Council Member	Jan 2018
Leah Schwery	City Clerk/Treasurer	Indefinite
Gary Taylor	Attorney	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Walker Carrigan	Mayor	Jan 2018
John Larson	Council Member	Jan 2018
Shawn Lee	Council Member	Jan 2018
Kerri Carrigan	Council Member	Jan 2020
Josh Gran	Council Member	Jan 2020
Sandra Harris	Council Member	Jan 2020
Leah Schwery	City Clerk/Treasurer	Indefinite
Gary Taylor	Attorney	Indefinite

**City of Soldier**



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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 Soldier for the period January 1, 2015 through December 31, 2015. The City of Soldier'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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 Soldier, 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 Soldier and other parties to whom the City of Soldier 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 Soldier 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

April 11, 2016

## **Detailed Recommendations**

City of Soldier

Detailed Recommendations

For the period January 1, 2015 through December 31, 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) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – preparing bank account reconciliations, initiating cash receipt and disbursement transactions and recording.
- (3) Investments – record keeping, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, check signing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.
- (7) Utilities – billing, collecting, depositing and posting.
- (8) Financial reporting – preparing and reconciling.
- (9) Journal entries – preparing and journalizing.
- (10) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

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 and investment account balances throughout the year. For one month reviewed, the bank and book balances did not reconcile by \$4,162.

Recommendation – The City should establish procedures to ensure bank and investment account 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.

City of Soldier

Detailed Recommendations

For the period January 1, 2015 through December 31, 2015

- (C) General Ledger – Certain local option sales tax (LOST) receipts totaling \$3,215 were recorded in the general ledger as property tax and certain other LOST receipts totaling \$3,113 were deposited to the bank but were not recorded in the City’s general ledger. In addition, certain road use tax receipts totaling \$2,834 were recorded as both road use tax and as property tax and other road use tax receipts totaling \$3,511 were deposited to the bank but were not recorded in the City’s general ledger. Also, certain miscellaneous receipts totaling \$193 were incorrectly recorded as property tax and, for one month tested, \$275 of other receipts recorded on the City’s bank statement had not been recorded in the general ledger.

Recommendation – The City should establish procedures to ensure all receipts, including reconciling receipts, are properly recorded in the general ledger to the bank statement each month.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

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 review should be documented by the signature or initials of the reviewer and the date of the review.

- (E) Monthly City Clerk’s Report – The City Clerk’s financial reports to the City Council included total monthly receipts and disbursements, but did not include a year-to-date comparison of total disbursements for all funds to the certified budget by function or a summary of beginning balance, receipts, disbursements, transfers and ending balance by fund.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City Clerk’s monthly financial reports to the City Council should include comparisons of total disbursements for all funds to the certified budget by function. Also, for better financial information, the monthly reports should also include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

- (F) 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.

City of Soldier

Detailed Recommendations

For the period January 1, 2015 through December 31, 2015

- (G) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published (or posted if City population is less than 200) within fifteen days of the meeting and include total disbursements from each fund and a summary of all receipts. Four of four monthly minutes reviewed did not include total disbursements for each fund or a summary of all receipts. 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 Chapter 372.13(6) of the Code of Iowa and ensure the minutes postings include total disbursements for each fund and a summary of all receipts. Also, the minutes record should be signed to authenticate the actions taken, as required.

- (H) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the culture and recreation, community and economic development 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.

- (I) Local Option Sales Tax – The City imposed a local option sales and services tax (LOST) in the City with receipts to be allocated as follows: 10% for property tax relief, 10% for infrastructure, including sewer buildings and parks, 10% for economic development and for 70% water and streets. Documentation was not maintained to demonstrate the LOST collections were spent in accordance with the provisions of the LOST ballot referendum.

Recommendation – The City should maintain documentation to demonstrate LOST collections are disbursed in compliance with the LOST ballot referendum provisions.

- (J) Disbursements – One of thirty disbursements tested was not approved by the City Council.

Recommendation – All disbursements should be approved by City Council.

- (K) Payroll – While timesheets are maintained, hours worked are not reviewed and approved. Approved wages for employees were not documented in the City Council meeting minutes. There is no independent review of wages and withholding rates entered into the system. An independent person does not test wages and withholdings to ensure proper payroll calculations.

Recommendation – Hours worked by City employees should be reviewed and approved by supervisory personnel prior to the preparation of payroll. Approval of pay rates for City employees should be documented in the City Council meeting minutes at the time of hiring and when raises occur. An independent person should periodically review wage and withholding rates entered in the system to ensure proper payroll calculations. Evidence of the independent review should be retained.

City of Soldier

Detailed Recommendations

For the period January 1, 2015 through December 31, 2015

- (L) Prenumbered Receipts – Prenumbered receipts were not issued for all collections.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all receipts. These receipts should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

- (M) Annual Financial Report – The beginning balances for the governmental and proprietary activities did not agree to the prior year ending balances reported in the June 30, 2014 Annual Financial Report.

Recommendation – The City should ensure the current year Annual Financial Report beginning balances agree with the prior year ending balances.

- (N) Employee Benefits – The City levied and properly reported \$4,312 of employee benefit property tax receipts in the Special Revenue Fund column in the fiscal year 2015 Annual Financial Report (AFR). However, the City recorded the property tax receipts in the General Fund, rather than a Special Revenue Fund, in the general ledger.

Recommendation – The City should establish a Special Revenue, Employee Benefits Fund in the general ledger to record the receipt and disbursement of property tax for employee benefits. Reporting between the AFR and general ledger should be consistent.

- (O) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, 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 – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, 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.

- (P) Surety Bond Coverage – Surety bond coverage for City officials and employees was not maintained as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should obtain surety bond coverage in compliance with Chapter 64 of the Code of Iowa and periodically review the coverage for adequacy.

City of Soldier

Staff

This agreed-upon procedures engagement was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Ryan J. Pithan, Senior Auditor  
Preston R. Grygiel, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director