



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

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NEWS RELEASE

FOR RELEASE _____ September 14, 2016

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Searsboro, 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 and establish procedures to ensure reconciliations of utility billings, collections and delinquent accounts are completed monthly and are independently reviewed. The City should also implement the Uniform Chart of Accounts and ensure monthly financial reports to the City Council include comparisons of total disbursements for all funds to the certified budget by function.

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/1522-0750-EPOP>.

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CITY OF SEARSBORO
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 Searsboro

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Amy Shepard	Mayor	(Resigned Mar 2015)
Venisa Anderson (Appointed Apr 2015)	Mayor	Nov 2015
Venisa Anderson (Resigned Apr 2015)	Council Member	Jan 2016
Diane Angove (Appointed Apr 2015)	Council Member	Nov 2015
Scott Kriegel	Council Member	Jan 2016
Kim Shutts	Council Member	Jan 2016
Jeanie Hunter	Council Member	Jan 2018
Christine Nippe	Council Member	Jan 2018
Shirley Tremmel	City Clerk/Treasurer	Indefinite
Angie Cook	Attorney	Indefinite

(After January 2016)

Kim Shutts	Mayor	Jan 2018
Jeanie Hunter	Council Member	Jan 2018
Christine Nippe	Council Member	Jan 2018
Skye Bryan	Council Member	Jan 2020
Diane Angove	Council Member	Jan 2020
Vanisa Anderson	Council Member	Jan 2020
Shirley Tremmel	City Clerk/Treasurer	Indefinite
Angie Cook	Attorney	Indefinite

City of Searsboro



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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 Searsboro for the period January 1, 2015 through December 31, 2015. The City of Searsboro'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 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.

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 Searsboro, 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 Searsboro and other parties to whom the City of Searsboro 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 Searsboro 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

March 23, 2016

Detailed Recommendations

City of Searsboro

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) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements and payroll – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable records.
- (5) Financial reporting – preparing 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) Bank Reconciliations – Cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year. The bank statement reconciliations prepared by the City included the City’s main checking account, but excluded the investment accounts. For the two months reviewed, bank and book balances did not properly reconcile. Variances of \$43 and \$38 were not resolved. Also, two of twelve bank reconciliations did not include evidence of review by an independent person. In addition, the outstanding check listings did not include the date the check was written.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger balances monthly and the reconciliations are subsequently reviewed by an independent person. Variances, if any, should be reviewed and resolved timely. The outstanding check listings should include the date written in addition to the amount outstanding.

(C) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

City of Searsboro

Detailed Recommendations

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

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

- (E) Financial Records – The City combines garbage fees, a General Fund activity, with sewer activity in the general ledger.

Recommendation – The City should report garbage fees in the General Fund, separate from sewer activity.

- (F) Monthly City Clerk’s Reports – The City Clerk’s financial reports to the City Council did not include comparisons of total disbursements for all funds to the certified budget by function.

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.

- (G) 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.

- (H) City Council Meeting Minutes – Minutes for the February 2, 2015 City Council meeting were not signed as required by Chapter 380.7 of the Code of Iowa.

The City Council went into closed session on July 6, 2015. The closed session was not in compliance with Chapter 21.5 of the Code of Iowa. The session was not closed by affirmative vote of at least two-thirds of the members, the specific exemption under Chapter 21.5 for closing the session was not identified or documented and it was not clear if final action was taken in open session.

Recommendation – The City should comply with Chapters 380.7 and 21.5 of the Code of Iowa.

City of Searsboro

Detailed Recommendations

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

- (I) Disbursements – Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for one transaction tested could not be located.

Recommendation – All disbursements should be supported by invoices or other supporting documentation.

- (J) Debit Card – The City’s credit card may also be used as a debit card by employees while on City business.

Recommendation – The City should remove the debit card capabilities to ensure disbursements are not automatically deducted from the City’s bank account.

- (K) Payroll – Salary increases for the City Clerk are approved based on a dollar amount increase and the actual approved wages were not documented in the City Council minutes. In addition, approval of pay rates for the remaining two employees could not be located in the City Council minutes.

Recommendation – Approval of salaries and wages should be adequately documented in the City Council meeting minutes.

- (L) Local Option Sales Tax – The City imposed a local option sales tax (LOST) with receipts to be allocated 100% for street and community improvements. 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 spent in compliance with the LOST ballot referendum provisions.

- (M) Annual Financial Report – The fiscal year 2015 Annual Financial Report (AFR) beginning and ending balances for governmental and proprietary activities agree in total to the City’s financial records. However, the allocation of governmental and proprietary balances did not agree.

Recommendation – The City should ensure governmental and proprietary balances reported in the AFR agree to the City’s financial records.

- (N) Timesheets – City employees do not submit timesheets to support hours worked, including the dates work was performed and the hours worked.

Recommendation – Timesheets should be prepared by all employees to support hours worked. The timesheets should include dates the work was performed and the hours worked. The timesheets should be signed by the employee and should be reviewed and approved by supervisory personnel prior to processing payroll. Approval should be documented by the signature or initials of the reviewer and the date reviewed.

City of Searsboro

Staff

This agreed-upon procedures engagement was performed by:

Deborah J. Moser, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
Eileen D. Loomis, Assistant Auditor


Marlys K. Gaston, CPA
Director