



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ September 22, 2016

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Truesdale, 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 utility reconciliations are performed monthly. The City should comply with budget amendment requirements of Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget and the City should fully implement the Uniform Chart of Accounts for Iowa City Governments.

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/1522-0092-EPOP>.

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CITY OF TRUESDALE

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 Truesdale

Officials

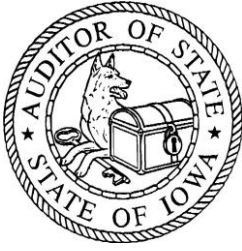
(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jessie Muesburger	Mayor	Jan 2016
Linda Anderson	Council Member	(Resigned Jul 2015)
Chris Barrickman	Council Member	Jan 2016
Kevin King (Appointed Aug 2014)	Council Member	Nov 2015
Tina Shannon	Council Member	Jan 2016
James Weiland	Council Member	Jan 2016
Angie Nielson	City Clerk/Treasurer	Indefinite
Andy Brown	Attorney	Indefinite

(After January 2016)

Jessie Muesburger	Mayor	Jan 2018
Connie Lewis (Appointed Mar 2016)	Council Member	Nov 2017
Chris Barrickman	Council Member	Jan 2018
Kevin King	Council Member	Jan 2018
Tina Shannon	Council Member	Jan 2018
James Weiland	Council Member	Jan 2018
Angie Nielson	City Clerk/Treasurer	Indefinite
Andy Brown	Attorney	Indefinite

City of Truesdale



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Independent Accountant's Report on Applying Agreed-Up 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 Truesdale for the period January 1, 2015 through December 31, 2015. The City of Truesdale'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 Truesdale, 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 Truesdale and other parties to whom the City of Truesdale 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 Truesdale 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 6, 2016

Detailed Recommendations

City of Truesdale

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, including journal entries, and having custody of assets.
 - (2) Cash – handling, reconciling and recording.
 - (3) Receipts – opening mail, collecting, recording, depositing, journalizing and reconciling.
 - (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
 - (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (6) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
 - (7) 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 – The cash and investment balances in the City Treasurer’s monthly reports were reconciled to bank and investment account balances throughout the year. However, for the two months reviewed, bank and book balances did not properly reconcile. For the two months tested, an unknown reconciling item of approximately \$180 is listed on the outstanding check list as “old ck” and varies in amount in order to reconcile. The City Clerk represented this variance has existed for some time. Also, the certificate of deposit (CD) balance is not updated to reflect earnings. In addition, the bank reconciliations were not independently reviewed.

Recommendation – The City should established procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. Also, CD balances should be updated to reflect posted earnings. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- (C) 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 (AFR). Also, while the total governmental fund balance reported on the AFR agreed to the Treasurer’s report, a variance of \$1,500 exists between the General Fund and the Special Revenue Fund balances compared to the City Treasurer’s report.

City of Truesdale

Detailed Recommendations

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

Recommendation – The City should ensure the current year AFR beginning balances agree with the prior year ending balances. Also, the City should investigate the ending fund balances and make a transfer, if necessary, to correct the fund balances.

- (D) Change Fund – The City maintains a change fund for which no authorization could be located. In addition, the funds were not included in the City’s accounting records and resulting fund balances.

Recommendation – The change fund should be formally authorized by the City Council and should be maintained on an imprest basis to provide additional control over the fund. The change fund should be included in the City’s accounting records and resulting fund balances.

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

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

- (F) 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 – A listing of delinquent accounts should be prepared monthly. 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 all reconciliations and monitor delinquent accounts. The review of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review.

- (G) Disbursements – Invoices or other supporting documentation were not always available to support disbursements. Monthly payments for meter reading and solid waste collection services were not supported by an invoice or contract and the City Council meeting minutes did not document the approval. One credit card account disbursement tested included a late fee. Also, certain disbursements were paid prior to City Council approval. Additionally, Internal Revenue Service (IRS) forms 1099 were not issued to vendors for services of \$600 or more in a year.

Recommendation – All disbursements should be supported by invoices, approved contracts or other supporting documentation. The City could adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City 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 the City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval. All bills should be paid timely to avoid late fees. Additionally, IRS forms 1099 should be issued to vendors for services of \$600 or more in a year.

City of Truesdale

Detailed Recommendations

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

- (H) Payroll – City Council approval of the City Clerk’s salary could not be located and was unavailable for review during the performance of our procedures. In addition, review and approval of wage and withholding rates entered into the payroll system are not performed by an independent person. Also, employees do not prepare and submit timesheets to support hours worked.

Recommendation – The City Council meeting minutes should document approved salaries and pay rates for all City employees at the time of hiring and when raises occur. Someone other than the employee entering the information should review and approve the wage and withholding rates entered in the payroll system. Also, timesheets should be prepared by all employees and should be signed by the employee and the employee’s immediate supervisor prior to submission. The timesheets should support all hours worked and all hours taken as vacation, sick leave and compensatory time.

- (I) Bank Signature Card – The bank signature card for one CD included a former employee and the former mayor as authorized check signers.

Recommendation – The City should ensure the bank signature card is accurate and updated timely.

- (J) Restrictive Endorsement – Checks were not restrictively endorsed immediately upon receipt.

Recommendation – To safeguard collections, checks should be restrictively endorsed immediately upon receipt.

- (K) Prenumbered Receipts – While the City issues prenumbered receipts, they are not always recorded and reconciled to deposits.

Recommendation – All prenumbered receipts should be recorded and reconciled with timely deposits, and the reconciliation should be reviewed periodically by an independent person.

- (L) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in culture and recreation function prior to 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.” Also, Chapter 384.16(3) of the Code of Iowa requires the City Council to set a time and place for a public hearing on the budget before the final certification date and to publish (or post in three public places if the City’s population is less than 200) notice of the hearing not less than ten nor more than twenty days before the hearing. The posted notice indicated the public hearing was to be held March 12, 2014, but the public hearing was held on March 11, 2014.

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. Also, the City should ensure the posted notice of public hearing accurately reflects the date of the public hearing.

City of Truesdale

Detailed Recommendations

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

- (M) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be posted in three public places within fifteen days of the meeting. The postings should include a list of all claims allowed, a summary of receipts, total disbursements by fund, a summary of ordinances or amendments adopted and annual individual gross salaries. None of the postings tested included a list of claims allowed, a summary of receipts, total disbursements from each fund or a summary of ordinances or amendments adopted. In addition, the annual individual gross salaries were not posted.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and ensure the minutes postings include a list of claims allowed, a summary of receipts, total disbursements by fund and a summary of ordinances or amendments adopted. Also, annual individual gross salaries should be posted, as required.

- (N) 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 that 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.

- (O) Loan Agreements – On July 14, 2015, the City entered into a loan agreement for \$3,780 to blacktop a portion of a street. The City did not comply with the provisions of Chapter 384.24A and 384.25 of the Code of Iowa which require certain authorization procedures to be followed prior to entering into a loan agreement, including publication of a notice of intended action and the time and place of the public hearing.

Recommendation – The City should comply with the Code of Iowa requirements before entering into future loan agreements.

- (P) Local Option Sales Tax – The ballot establishing the City’s local option sales tax (LOST) allocation could not be located by the City. We obtained documentation from the County Auditor establishing the LOST distribution as 50% for relief of water bills and 50% for capital improvements. The City records LOST receipts in the General Fund and does not maintain documentation to demonstrate the tax receipts were spent in accordance with the LOST ballot provisions.

Recommendation – The City should obtain and file a copy of the LOST ballot. Also, the City should maintain documentation to demonstrate LOST collections are disbursed in compliance with the LOST ballot provisions.

- (Q) Credit Card – The City has a credit card for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card purchases.

City of Truesdale

Detailed Recommendations

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

Recommendation – The City should adopt a formal written policy regulating the use of the City's credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to support the purchase.

- (R) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual 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.

- (S) City Council Vacancy – According to Chapter 372.13(2) of the Code of Iowa, when a vacancy occurs on the City Council, the vacancy should be filled one of two ways: the City Council should 1) appoint a member within 60 days after the vacancy or 2) call a special election. If the City Council fails to make an appointment within sixty days, the City Clerk shall give notice of the vacancy to the County Commissioner and the County Commissioner shall call a special election to fill the vacancy at the earliest practicable date.

In July 2015, Linda Anderson resigned from the City Council and the City Council was unable to find a resident to serve on the City Council. Since an appointment was not made within sixty days of the vacancy, the City should have notified the County Commissioner and a special election should have been held to fill the position.

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

City of Truesdale

Staff

This engagement was performed by:

Ernest H. Ruben Jr., CPA, Manager
Ramona E. F. Daly, Staff Auditor


Marlys K. Gaston, CPA
Director