



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

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

November 17, 2016

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Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Calamus, Iowa for the period July 1, 2015 through June 30, 2016. 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 reconcile utility billings, collections and delinquent accounts for each billing period. The City should also ensure financial activity and balances of all City accounts, including the City Park Board, are included in the City's accounting records. In addition, the City should comply with the water revenue bond resolution requirements.

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/1622-0202-BLOF>.

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**CITY OF CALAMUS**

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

**FOR THE PERIOD**  
**JULY 1, 2015 THROUGH JUNE 30, 2016**

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**City of Calamus**

**Officials**

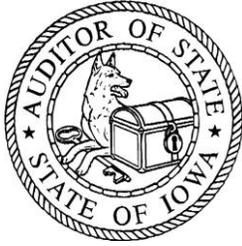
**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Steines	Mayor	Jan 2016
Leon Dieckmann	Mayor Pro Tem	Jan 2016
Don Haack	Council Member	Jan 2016
Rod Smith	Council Member	Jan 2016
Laverne Boedeker	Council Member	Jan 2018
Julie Steffens-Kalfas	Council Member	Jan 2018
Laurie Ganzer	City Clerk	Indefinite
John Peavy	Attorney	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Terry Steines	Mayor	Jan 2018
Leon Dieckmann	Mayor Pro Tem	Jan 2020
Laverne Boedeker	Council Member	Jan 2018
Julie Steffens-Kalfas	Council Member	Jan 2018
Michael Lacey	Council Member	Jan 2020
Reid Minor	Council Member	Jan 2020
Laurie Ganzer	City Clerk	Indefinite
John Peavy	Attorney	Indefinite

**City of Calamus**



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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 Calamus for the period July 1, 2015 through June 30, 2016. The City of Calamus' 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 of Calamus. 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 Calamus, 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 Calamus and other parties to whom the City of Calamus 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 Calamus 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

August 18, 2016

## **Detailed Recommendations**

City of Calamus

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

(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, having custody of assets and controlling all data input and output.
- (2) Cash - handling, reconciling and recording.
- (3) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) Long-term debt – recordkeeping, compliance and debt payment processing.
- (7) Journal entries – preparing and journalizing.
- (8) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (9) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.

For the City Park Board account, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements - preparing, 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) Computer System – The City does not have a written disaster recovery plan.

Recommendation – The City should develop and periodically test a written disaster recovery plan.

City of Calamus

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (C) Bank Reconciliations – The cash balances in the City’s general ledger were reconciled to bank account balances throughout the year. However, an independent review of the bank reconciliations was not performed. In addition, the outstanding check listings did not include the check number, payee or date written.

Recommendation – An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations. In addition, the outstanding check listings should include the check number, payee and date written, in addition to the amount outstanding.

- (D) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...” The City’s AFR included receipts and disbursements which do not agree with the amounts recorded in the City’s records.

Recommendation – The City should ensure the financial information reported on the AFR agrees with the City’s records. An independent person should review the AFR for accuracy.

- (E) 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 the 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.

- (F) Change Fund – The City does not maintain a change fund since cash is not typically handled by the City. However, the City Clerk, who is the City Clerk for multiple cities, will occasionally make change for City of Calamus transactions using the change fund of another City.

Recommendation – The City should not use change funds belonging to other cities for City of Calamus transactions. If the City Council determines a change fund is necessary, a specific amount should be approved and established. This change fund should be maintained on an imprest basis to improve the accountability for cash and provide for the reconciliation of receipts and deposits.

- (G) Prenumbered Receipts – Prenumbered receipts were not issued for collections and an initial listing of collections was not prepared.

Recommendation – Prenumbered receipts should be issued for all collections and an initial listing of collections should be prepared. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented by the signature or initials of the reviewer and the date of the review.

City of Calamus

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (H) Disbursements – Supporting documentation is not cancelled to prevent reuse. In some cases, checks were signed in advance by the individual responsible for co-signing checks. In addition, the City of Calamus' Park Board was charged \$11 sales tax for one purchase tested.

Recommendation – All invoices or other supporting documentation should be cancelled to prevent duplicate payments. Checks should only be signed and countersigned when the completed check and appropriate documentation are available for review. In addition, the City of Calamus' Park Board should review purchases to ensure sales tax is not charged on City purchases.

- (I) Payroll – Salaried employees do not prepare and submit timesheets to support hours worked. Timesheets for hourly employees did not include evidence of supervisory review.

Recommendation – Timesheets should be prepared by all employees and should be reviewed and approved by supervisory personnel prior to processing payroll.

- (J) Separately Maintained Records – The City of Calamus' Park Board maintains separate accounting records for certain operations. The cash balances in the accounting records are not reconciled to the quarterly bank statements. In addition, the transactions and resulting balances are not included in the City's accounting records or the City's AFR.

Recommendation – The City of Calamus' Park Board should reconcile bank and book balances quarterly. Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and AFR and should be reported to the City Council monthly.

- (K) 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.

- (L) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. The approval should be documented by signing or initialing and dating the journal entries.

City of Calamus

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (M) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the public works function. 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, the budget amounts in the accounting system do not agree with the fiscal year 2016 approved budget.

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. The City should ensure the budget amounts in the accounting system agree with the approved budget.

- (N) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B 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.

- (O) Revenue Bonds – The provisions of the water revenue bond resolution require the City produce net operating receipts equal to at least 110% of the principal and interest on the bonds as they come due. For the year ended June 30, 2016, the City’s general ledger for the Enterprise, Water Fund reported net operating receipts of \$15,997, \$17,784 less than the net receipt requirement of \$33,781. The provisions of the water revenue bond resolution also require sufficient transfers be made to a separate water revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The City has not established a water sinking account. In addition, the City has not established written procedures to monitor compliance with arbitrage, yield restrictions and rebate requirements.

Recommendation – The City should consult legal counsel and review the City’s utility rates to ensure the rates are adequate to produce the required net operating receipts. The City should establish a water revenue bond sinking account and make the required transfers to the account for the purpose of making the bond principal and interest payments when due. The City should also establish written procedures to monitor compliance with arbitrage, yield restrictions and rebate requirements.

- (P) Financial Condition – The City reported a deficit balance of \$9,583 in the General Fund on the June 30, 2015 AFR.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

- (Q) Local Option Sales Tax – A local option sales tax (LOST) receipt of \$1,153 was incorrectly recorded as a road use tax receipt.

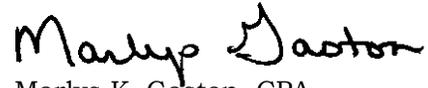
Recommendation – The City should implement procedures to ensure receipts are properly recorded.

City of Calamus

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Manager  
Joseph B. Sparks, Staff Auditor  
Ashley A. Boleyn, Assistant Auditor



Marlys K. Gaston, CPA  
Director