



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

November 21, 2016

Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Templeton, Iowa for the period April 1, 2015 through March 31, 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 ensure bank and utility reconciliations are completed monthly and are independently reviewed.

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/1522-0125-EPOP>.

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**CITY OF TEMPLETON**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**APRIL 1, 2015 THROUGH MARCH 31, 2016**

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**City of Templeton**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Ken F. Behrens	Mayor	Jan 2016	Jan 2018
Mark A. Bauer	Council Member	Jan 2014	Jan 2018
Doyle Engelen (Appointed)	Council Member	Jan 2016	Jan 2018
Joseph Irlbeck	Council Member	Jan 2016	Jan 2020
David Ramsey	Council Member	Jan 2016	Jan 2020
Alex Schoeppner	Council Member	Jan 2016	Jan 2020
Rhonda Schwaller	City Clerk		Indefinite
Robert Peters	Attorney		Indefinite

**City of Templeton**



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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 Templeton for the period April 1, 2015 through March 31, 2016. City of Templeton'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 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.

8. 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.
9. 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.
10. 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.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. 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.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 Templeton, 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 Templeton and other parties to whom the City of Templeton 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 Templeton 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

July 7, 2016

## **Detailed Recommendations**

City of Templeton

Detailed Recommendations

April 1, 2015 through March 31, 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) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing and recording.
- (4) Payroll – recordkeeping, preparing and distributing, entering rates into the system and maintaining vacation balances.
- (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable records.
- (6) Long-term debt – recordkeeping and debt payment processing.

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) Fire Department – All accounting functions are handled by one individual without adequate compensating controls. Bank reconciliations are not performed.

In addition, during the period reviewed, two checks for \$25 each were written to “Cash”. Fire Department personnel indicated the cash was used to wash fire department vehicles.

Recommendation – The Fire Department should segregate accounting duties to the extent possible and bank reconciliations should be performed and reviewed monthly. In addition, checks should not be written to “Cash”.

- (C) Bank Reconciliations – The cash balances in the City’s general ledger were not reconciled to bank account balances throughout the year.

Recommendation – The City should establish procedures to ensure bank 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.

- (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.

City of Templeton

Detailed Recommendations

April 1, 2015 through March 31, 2016

- (E) Financial Condition – At March 31, 2016, the City had a deficit balance of \$17,462 in the Enterprise, Water Fund.

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

- (F) Payroll – Although timesheets were prepared for all employees, there was no indication the timesheets were reviewed and approved.

The wage rate for one of five employees tested was not approved by the City Council. Additionally, the salary increase for the Templeton Center Manager was approved based on a dollar amount increase and the actual approved wage was not documented in the minutes.

Recommendation – Timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. All wages for City employees should be approved by the City Council and the approval should be adequately documented.

- (G) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published in a newspaper of general circulation within fifteen days of the meeting. Minutes for meetings tested were not published.

Recommendation – The City should comply with the Code of Iowa and publish City Council meeting minutes in a newspaper of general circulation within fifteen days of the meeting, as required.

- (H) Payment of Claims – Certain disbursements were not approved by the City Council prior to payment. The City has adopted a resolution allowing certain routine claims to be paid prior to City Council approval. However, the resolution includes items not typically considered routine including, training registration fees, credit card payments, contractual obligations and claims up to \$7,500 for the Templeton Center.

Recommendation – The City should amend its resolution to allow only routine claims to be paid prior to City Council approval.

- (I) Separately Maintained Records – The Fire Department maintains separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation – 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 reported to the City Council on a monthly basis.

- (J) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for two bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

City of Templeton

Detailed Recommendations

April 1, 2015 through March 31, 2016

- (K) Questionable Disbursements – During the year, \$262 was disbursed from the Fire Department account for alcohol. These disbursements may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefit to be derived has not been clearly documented.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin. It is unclear how the purchase of alcohol would serve a public purpose.

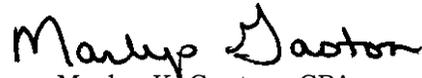
Recommendation – The City Council should determine and document the public purpose served before authorizing any further payments for alcohol. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper public purpose documentation. Disbursements should not be approved if a public purpose is not served.

City of Templeton

Staff

This engagement was performed by:

Tammy A. Hollingsworth, CIA, Manager  
Laura M. Wernimont, Senior Auditor  
Justin M. Gibbons, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director