



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

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NEWS RELEASE

FOR RELEASE

December 14, 2016

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released a Report on the Status of Findings and Recommendations on the City of Randalia's Periodic Examination Report dated March 25, 2015. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period January 1, 2016 through June 30, 2016.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. The findings included in this report indicate the City Council has exercised fiduciary oversight and has taken action to implement many of the recommendations. Three of the six findings reported in the Periodic Examination Report dated March 25, 2015 have been corrected and two of the findings were partially corrected. The City Council has not yet taken action to implement the remaining finding. One additional finding identified during the follow-up procedures is also included in this report.

A copy of the City of Randalia's Report on the Status of Periodic Examination Findings and Recommendations 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/1422-0317-EPFP>.

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CITY OF RANDALIA

**INDEPENDENT ACCOUNTANT'S REPORT
ON THE STATUS OF PERIODIC EXAMINATION
FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD
JANUARY 1, 2016 THROUGH JUNE 30, 2016**

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City of Randalia

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Mark Amos	Mayor	Jan 2014	Jan 2018
Shane Prochaska	Council Member	Jan 2014	Jan 2018
Ann Smith	Council Member	Jan 2014	Jan 2018
Valerie Koch	Council Member	Jan 2016	Jan 2020
Dean Teague	Council Member	Jan 2016	Jan 2020
Jeff Winkie	Council Member	Jan 2016	Jan 2020
Lisa Lensing	City Clerk	Resigned Jun 2016	
Delores Thom (Appointed Jul 2016)	City Clerk		Indefinite
Jeremiah White	Attorney	Resigned Jun 2016	

City of Randalia



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Independent Accountant's Report on the Status of Periodic
Examination Findings and Recommendations

To the Honorable Mayor and Members of the City Council:

The Office of Auditor of State issued a Periodic Examination Report dated March 25, 2015 on the City of Randalia, Iowa covering the period February 1, 2014 through January 31, 2015 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report dated March 25, 2015 and the current status of the City's implementation of the recommendations included in that report.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

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 Randalia and other parties to whom the City of Randalia 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 Randalia during the course of our follow-up procedures. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

July 27, 2016

**Report on the Status of Periodic Examination
Findings and Recommendations**

City of Randalia

Report on the Status of Periodic Examination Findings and Recommendations

For the Period January 1, 2016 through February 29, 2016

Findings Reported in the Periodic Examination Report dated March 25, 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) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Financial Reporting – Although the City Clerk's financial reports were prepared monthly, they were not reviewed by an independent person.

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

Current Status – Not corrected. The recommendation is repeated.

(B) Credit Cards – The City has not adopted a formal policy to regulate the use of the City's credit cards and to establish procedures for the proper accounting of credit card purchases.

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

Current Status – Corrected. The City adopted a credit card policy on November 9, 2015.

(C) Bank Reconciliations – Bank reconciliations were not prepared timely and were not reviewed by an independent person.

Recommendation – The City should establish procedures to ensure bank reconciliations are performed timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

Current Status – Partially corrected. For the period reviewed, bank reconciliations were prepared timely. However, there was no evidence the bank reconciliations were independently reviewed. The recommendation is partially repeated.

City of Randalia

Report on the Status of Periodic Examination Findings and Recommendations

For the Period January 1, 2016 through February 29, 2016

- (D) Investments - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a detailed record of investment transactions was not maintained.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. In addition, a detailed record of investment transactions should be maintained. The record should include the principal, amount, date purchased, interest rate, maturity date, identifying number and interest received.

Current Status - Partially corrected. The City adopted an investment policy on November 9, 2015. However, an accounting record/register is not maintained for each investment. The recommendation is partially repeated.

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

Recommendation - The City should maintain surety bond coverage as required by Chapter 64 of the Code of Iowa.

Current Status - Corrected. The City has obtained surety bond coverage through January 2018 in accordance with Chapter 64 of the Code of Iowa.

- (F) City Council Meeting Minutes - Meeting minutes tested were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation - All meeting minutes should be signed to authenticate the action taken, as required.

Current Status - Corrected. Meeting minutes for the period January 1, 2016 through June 30, 2016 were signed in accordance with Chapter 380.7 of the Code of Iowa.

Additional Finding as a Result of Follow-up Procedures:

- (G) 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.

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

City of Randalia

Staff

This engagement was performed by:

Michelle B. Meyer, CPA, Manager
Melissa A. Hastert, CPA, Staff Auditor


Marlys K. Gaston, CPA
Director