



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE _____

December 27, 2016

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Sidney, 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 strengthen its internal controls, reconcile utility billings, collections and delinquent accounts and develop additional written policies and procedures. The City should also amend the budget before disbursements are allowed to exceed the budget.

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 <http://auditor.iowa.gov/reports/1621-0343-BLOF>.

###

CITY OF SIDNEY
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

Table of Contents

| | <u>Page</u> |
|--|----------------|
| Officials | 3 |
| Independent Accountant's Report on Applying Agreed-Upon Procedures | 5-6 |
| Detailed Recommendations: | <u>Finding</u> |
| Segregation of Duties | A 8 |
| Reconciliation of Utility Billings, Collections and Delinquent Accounts | B 8 |
| Certified Budget | C 8 |
| Pay Rates | D 9 |
| Petty Cash and Change Fund | E 9 |
| Disbursements | F 9 |
| Journal Entries | G 9 |
| Monthly City Clerk's Report | H 9 |
| Financial Condition | I 9 |
| Staff | 10 |

City of Sidney

Officials

(Before January 2016)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---|----------------------|---------------------|
| Paul Hutt | Mayor | Jan 2016 |
| Michael Livingston (Appointed Jan 2015) | Council Member | Nov 2015 |
| Joe Travis | Council Member | Jan 2016 |
| Todd Chapman | Council Member | Jan 2018 |
| Troy Gorham | Council Member | Jan 2018 |
| Ryan Kersten | Council Member | Jan 2018 |
| Mark Travis | City Manager | Indefinite |
| Suzanne Moores | City Clerk/Treasurer | Indefinite |
| T.J. Pattermann | Attorney | Indefinite |

(After January 2016)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------|----------------------|----------------------|
| Paul Hutt | Mayor | Jan 2018 |
| Todd Chapman | Council Member | Jan 2018 |
| Troy Gorham | Council Member | Jan 2018 |
| Ryan Kersten | Council Member | Jan 2018 |
| Michael Livingston | Council Member | Jan 2020 |
| Joe Travis | Council Member | Jan 2020 |
| Mark Travis | City Manager | (Resigned Sept 2016) |
| Suzanne Moores | City Clerk/Treasurer | Indefinite |
| T.J. Pattermann | Attorney | Indefinite |

City of Sidney



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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 Sidney for the period July 1, 2015 through June 30, 2016. The City of Sidney'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 transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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 Sidney, 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 Sidney and other parties to whom the City of Sidney 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 Sidney 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

September 1, 2016

Detailed Recommendations

City of Sidney

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) Cash – handling, depositing, reconciling and recording.
- (2) Investments – investing, recording and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – record keeping, preparing and distributing.

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) Reconciliation of Utility Billings, Collections and Delinquent Accounts – While the City attempted to reconcile utility billings, collections and delinquent accounts monthly, the beginning balance did not always agree to the prior month's ending balance. There is no evidence of independent review of the utility reconciliations.

Recommendation – As a part of the reconciliation process, the City should ensure the beginning balance agrees to the prior month's ending balance. The City Council or other independent person designated by the City Council should review the reconciliations and sign or initial and date them to document the review.

(C) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the health and social services, culture and recreation, debt service and capital projects functions. 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."

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.

City of Sidney

Detailed Recommendations

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

- (D) Pay Rates – For the last six months of calendar year 2015 the bi-weekly pay for the four salaried employees was below the amount approved by the City Council. During the first six months of calendar year 2016 the bi-weekly pay was above the amount approved by the City Council. The net result of the over and under payments was an overall underpayment of salary of approximately \$2,800 for the four employees for fiscal year June 30, 2016.

Recommendation – The City Council should consult legal counsel to determine the disposition of this matter. An independent person should review payroll to ensure the correct wage is paid to each employee. The review should be documented by signing or initialing and dating the payroll journal.

- (E) Petty Cash and Change Fund – The petty cash and change fund are not maintained at an authorized amount.

Recommendation – The City Council should approve an authorized amount to be maintained in the petty cash and change fund.

- (F) Disbursements – Two of thirty disbursements tested were not approved by the City Council.

Recommendation – All disbursements should be approved by the City Council.

- (G) Journal Entries – Two of three journal entries tested were not reviewed and approved by an independent person.

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

- (H) Monthly City Clerk's Report – The monthly City Clerk's report to the City Council does not include the money market and certificate of deposit activity.

Recommendation – The monthly City Clerk's report to the City Council should include the activity and balances from all bank accounts and investments, not just the primary checking account.

- (I) Financial Condition – At June 30, 2016, the City had deficit balances of \$42,162 and \$2,412 in the Special Revenue, Employee Benefits and Housing Authority Funds, respectively.

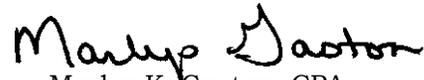
Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

City of Sidney

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Manager
Nicole L. Roethlisberger, Assistant Auditor
Libby C. Lamfers, Assistant Auditor


Marlys K. Gaston, CPA
Director