



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

February 15, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Keswick, 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 bank and utility reconciliations are reviewed by an independent person.

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/1622-0507-EP0P>.

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CITY OF KESWICK
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 Keswick

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Janet Wade	Mayor	Jan 2015	Jan 2017
Nate Clubb	Council Member	Jan 2015	Jan 2017
David Krumm	Council Member	Jan 2015	Jan 2017
Karen Sieren	Council Member	Jan 2015	Jan 2017
Gregory Sowers	Council Member	Jan 2015	Jan 2017
Mark Zittergruen	Council Member	Jan 2015	Jan 2017
Brandee Harper	City Clerk/Treasurer		Indefinite
John Wehr	City Attorney		Indefinite

City of Keswick



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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 Keswick for the period July 1, 2015 through June 30, 2016. The City of Keswick'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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 Keswick, 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 Keswick and other parties to whom the City of Keswick 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 Keswick 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 31, 2016

Detailed Recommendations

City of Keswick

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 and having custody of assets.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Computer system – performing all general accounting functions and controlling all data input and output.
- (6) Disbursements – invoice processing, check writing, check signing, reconciling and recording.
- (7) Payroll – entering rates in the system, recordkeeping, preparing and distributing.
- (8) Utilities – billing, collecting, depositing, posting and entering rates into the system.

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 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.

Recommendation – An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

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

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

(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 Keswick

Detailed Recommendations

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

- (E) 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 the bank account.

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.

- (F) Monthly City Clerk's Report – The monthly City Clerk's Report presented to the City Council does not include a comparison of actual disbursements to budget by function.

Recommendation – The monthly City Clerk's Report presented to the City Council should include a comparison of actual disbursements to budget by function.

- (G) Local Option Sales Tax – The City's local option sales tax (LOST) receipts are credited to the General Fund and no documentation is maintained to account for LOST receipts, disbursements and balances.

Recommendation – The City should establish a Special Revenue, Local Option Sales Tax Fund to properly account for LOST receipts, disbursements and balances.

- (H) Payroll – Timesheets are not required for all City employees. Also, the wage rate for one of five employees tested was not approved by the City Council.

Recommendation – Timesheets should be submitted by all City employees. The timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Wage rates for all employees should be approved by the City Council and the rates should be documented in the City Council meeting minutes.

- (I) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting and include total disbursements from each fund and a summary of all receipts. For two of four meetings tested, minutes were not published within fifteen days of the meeting and the minutes for all meetings tested did not include total disbursements from each fund or a summary of receipts. Also, minutes were not properly signed as required by Chapter 380.7 of the Code of Iowa and meetings were not preceded by proper notice in accordance with Chapter 21.4 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and publish City Council meeting minutes within fifteen days of the meeting and include total disbursements from each fund and a summary of receipts. All minutes should be signed and should be preceded by proper notice, as required.

City of Keswick

Detailed Recommendations

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

- (J) Deposits and Investments – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. In addition, the City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendations – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required. The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

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

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

- (L) Unrecorded Interest – The City does not record interest earned on certificates of deposit (CDs) in the City's general ledger.

Recommendation – Interest earned on CDs should be recorded in the City's general ledger.

City of Keswick

Staff

This engagement was performed by:

Jennifer L. Wall, CPA, Manager
Lucas P. Mullen, Assistant Auditor
Preston R. Grygiel, Assistant Auditor

A handwritten signature in black ink that reads "Marlys Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA
Director