

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

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

March 15, 2017

Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Wall Lake, 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. The City should also comply with the budget amendment requirements of Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget and the City should fully implement the Uniform Chart of Accounts for Iowa City Governments.

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/1621-0769-BLOF>.

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**CITY OF WALL LAKE**  
**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 Wall Lake**

**Officials**

**(Before January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Druivenga	Mayor	Jan 2018
Gary Faber	Council Member	Jan 2016
Rob Germann	Council Member	Jan 2016
Francis Riedell	Council Member	Jan 2016
Ron Lahr	Council Member	Jan 2018
Albert Schwanz	Council Member	Jan 2018
Chris Rodman	City Clerk/Treasurer	Indefinite
Warren Bush	Attorney	Indefinite

**(After January 2016)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Druivenga	Mayor	Jan 2018
Ron Lahr	Council Member	Jan 2018
Albert Schwanz	Council Member	Jan 2018
Gary Faber	Council Member	Jan 2020
Rob Germann	Council Member	Jan 2020
Francis Riedell	Council Member	Jan 2020
Chris Rodman	City Clerk/Treasurer	Indefinite
Warren Bush	Attorney	Indefinite

**City of Wall Lake**



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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 Wall Lake for the period July 1, 2015 through June 30, 2016. The City of Wall Lake'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 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.
11. 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.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 Wall Lake, 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 Wall Lake and other parties to whom the City of Wall Lake 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 Wall Lake 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 29, 2016



## **Detailed Recommendations**

City of Wall Lake

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, reconciling and recording.
- (2) Receipts – opening mail, collecting, recording, depositing, journalizing, reconciling.
- (3) Journal entries – preparing and journalizing.
- (4) Financial reporting – preparing 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) Bank Reconciliations – Monthly bank reconciliations were prepared. However, because the “reconciliation summary” report from the computerized system is not printed, the current balance will not agree with the City Clerk’s report. Also, the reconciliations were not reviewed by an independent person.

Recommendation – To improve financial accountability and control, the monthly bank reconciliations should include the printed “reconciliation summary” showing the current balance agrees to the City Clerks balance. Also, the monthly reconciliations should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review.

- (C) Financial Reporting – The fiscal year 2015 beginning fund balances in the Annual Financial Report (AFR) did not agree by \$3,479 to the prior year AFR ending fund balances.

Recommendation – The City should establish procedures to ensure the AFR beginning fund balances agree to the prior year AFR ending fund balances.

- (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 Wall Lake

Detailed Recommendations

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

- (E) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the culture and recreation, community and economic development, and debt service 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.

- (F) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rob Germann, Council Member, Owner of Jamboree Foods	Supplies	\$ 2,873

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (G) Annual Urban Renewal Report – The beginning cash balance reported on the fiscal year 2015 Levy Authority Summary did not agree with the City’s records. Also, non-rebate disbursements did not include reimbursements to other City funds for certified debt.

Recommendation – The City should ensure receipts, disbursements and cash balances reported on the Levy Authority Summary agree with the City’s records.

- (H) 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.

- (I) Deposits and Investments – The City has adopted a written investment policy. However, the policy refers to an outdated Chapter of the Code of Iowa rather than to Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should modify the written investment policy to reference Chapter 12B.10B of the Code of Iowa.

- (J) Change Fund – The City maintains a change fund for which no authorization could be located.

Recommendation – The City Council should approve an authorized amount to be maintained in the change fund. Periodic surprise counts should be performed and documented by an independent person.

City of Wall Lake

Detailed Recommendations

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

- (K) Deficit Fund Balance – At June 30, 2016, the Enterprise, Solid Waste Fund had a deficit balance of \$3,569.

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

- (L) Utility Shut-off – The City does not have a utility shut-off policy to enforce delinquent accounts.

Recommendation – The City should establish a utility shut-off policy to enforce collection of delinquent accounts.

- (M) Questionable Disbursement – We noted a disbursement for \$31 for food for a City Council meeting that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have 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.

Recommendation – The City should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements of proper documentation.

- (N) Payroll – In December 2015, the City Council approved a credit to the City Clerk's utility bill rather than an increase in approved salary. This additional compensation was not included in determining gross wages for federal and state withholding. In addition, the credit violates Chapter 388.6 of the Code of Iowa which prohibits the City from providing utility services at a discriminatory rate.

Recommendation – The amount of credit approved by the City Council in lieu of regular pay should be included in gross wages for purposes of federal and state withholding calculations. The City should consult legal counsel to determine the disposition of the violation of Chapter 388.6 of the Code of Iowa.

City of Wall Lake

Staff

This engagement was performed by:

Ernest H. Ruben Jr., CPA, Manager  
Carolina M. Aviles, Assistant Auditor  
Alex D. Dau, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director