



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

NEWS RELEASE

FOR RELEASE

October 31, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Baldwin, Iowa for the period April 1, 2016 through March 31, 2017. 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, including an independent review of reconciliations and the Annual Financial Report. The City should also establish procedures to reconcile utility billings, collections and delinquent accounts for each billing period. In addition, the City should approve an investment policy and depository resolution as required by Chapters 12B.10B and 12C.2, respectively, of the Code of Iowa.

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/1622-0449-EP0P>.

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CITY OF BALDWIN

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
APRIL 1, 2016 THROUGH MARCH 31, 2017**

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City of Baldwin

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Bill Rohwedder	Mayor	Jan 2016	Jan 2018
Sara Bartels	Council Member	Jan 2016	Jan 2018
Allison Bock	Council Member	Jan 2016	Jan 2018
Renee Carr	Council Member	Jan 2016	Jan 2018
Lindsay Claus	Council Member	Jan 2016	Jan 2018
Kelly Eckelberg	Council Member	Jan 2016	Jan 2018
Carrie Browne	City Clerk		Indefinite

City of Baldwin



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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 Baldwin for the period April 1, 2016 through March 31, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Baldwin's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and 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 2016 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 and tested selected receipts for accurate accounting and consistency with the recommended COA.

9. 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.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. 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.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Baldwin 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

October 9, 2017

Detailed Recommendations

City of Baldwin

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

- (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, recording, reconciling and posting.
 - (3) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
 - (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (5) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
 - (6) 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) City Fire Department – All accounting functions are handled by one individual without adequate compensating controls. In addition, accounting records did not facilitate the proper classification of receipts or disbursements.

Recommendation – The Fire Department should segregate accounting duties to the extent possible and properly classify receipts and disbursements in the accounting records.

- (C) Bank Reconciliation Procedures – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year. In addition, an outstanding check list is not maintained.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are reviewed and resolved timely. Outstanding check listings should be maintained, should properly cut off at month end and should include all outstanding items through the end of the month. The outstanding check listings should detail the check number, payee and date written in addition to the amount outstanding. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- (D) Monthly City Clerk’s Report – The City Clerk’s financial reports to the City Council did not include comparisons to the certified budget by function or a summary of beginning balance, receipts, disbursements and ending balance by fund for all funds.

City of Baldwin

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City Clerk’s monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the monthly reports should also include the beginning balance, receipts, disbursements, transfers and ending balance for all funds held by the City.

- (E) Chart of Accounts – The City has not fully implemented the 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.

- (F) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. 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.

- (G) Annual Financial Report – The total ending fund balance of \$146,849 reported on the fiscal year 2016 Annual Financial Report (AFR) was \$8,752 less than the City’s bank balance of \$155,601. The receipts reported were \$784 more than in the City Clerk’s report and the disbursements were \$4,999 less than the City Clerk’s report.

Recommendation – The City should implement procedures to ensure all financial information is properly reported on the AFR and the information is supported by the City’s records. An independent person should review the report for accuracy and document the review by signing or initialing and dating the report.

- (H) Payroll – There is no independent review of wages and withholding rates entered into the system. An independent person does not test wages and withholdings to ensure proper payroll calculations.

Recommendation – An independent person should periodically review and test wage and withholding rates entered in the system for proper calculations.

- (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 or the City’s AFR.

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 AFR and should be reported to the City Council on a monthly basis.

City of Baldwin

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

- (J) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the health and social services and culture and recreation 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.

- (K) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings to be posted within fifteen days of the meeting, including total disbursements from each fund and a summary of all receipts. The minutes postings did not include total disbursements from each fund and a summary of all receipts. In addition, meeting minutes were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and include disbursements by fund and a summary of all receipts in the posted minutes. The City should comply with the Code of Iowa and properly sign the approved minutes.

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

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (M) 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 and Fire Department do not receive an image of the back of each cancelled check for any bank account.

Recommendation – The City and Fire Department 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 Baldwin

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Manager
Kristin R. Finke, Assistant Auditor



Marlys K. Gaston, CPA
Director