



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

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

December 29, 2017

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Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Beacon, 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. In addition, the City should comply with the Code of Iowa by adopting a written investment policy, implementing a depository resolution and ensuring the published minutes of City Council meetings include the required elements.

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/1622-0585-EPOP>.

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**CITY OF BEACON**

**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 Beacon**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jim Hughes	Mayor	Jan 2016	Jan 2018
Ron Kauffman	Council Member	Jan 2016	Jan 2018
Darrell Rust	Council Member	Jan 2016	Jan 2018
Cecil Smith	Council Member	Jan 2016	Jan 2018
Dwight Teeter	Council Member	Jan 2016	Jan 2018
Richard Thomas	Council Member	Jan 2016	Jan 2018
Jaimie Williamson	City Clerk		Indefinite
Lois Nicholson	Treasurer		Indefinite
Jeff Smith	Attorney		Indefinite

**City of Beacon**



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Independent Accountant's Report on Applying Agreed-Up 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 Beacon 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 Beacon'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 transfers between funds for propriety, proper authorization and accurate accounting.
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.

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 Beacon 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 25, 2017



## **Detailed Recommendations**

City of Beacon

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) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (2) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (3) Payroll – recordkeeping, preparing and distributing.
- (4) The bank reconciliation is not prepared by an independent person and there is no independent review of the reconciliation.

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) Disbursements – One of thirty disbursements tested were not approved by the City Council.

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

(C) Payroll – The City Clerk’s salary was not approved by resolution as required by City ordinance. Salary increases for the City Clerk are approved based on a dollar amount increase but the actual approved wages are not documented in the City Council minutes. In addition, approval of the pay rate for the City Treasurer and the Mayor could not be located. In accordance with Chapter 372.13(8) of the Code of Iowa, the Mayor’s salary must be set by City ordinance.

Recommendation – Procedures should be established to ensure all pay increases and the actual wages to be paid to employees and officials are adequately documented in the City Council meeting minutes as well as ensuring the Mayor’s salary is set by City Ordinance.

(D) Monthly City Treasurer’s Report – The monthly City Treasurer’s Reports provided to the City Council did not include a comparison of total disbursements for all funds to the certified budget by function.

Recommendation – The City should establish procedures to ensure monthly City Treasurer’s Reports include a comparison of total disbursements for all funds to the certified budget by function.

(E) Deposits and Investments – 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.

City of Beacon

Detailed Recommendations

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

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.

- (F) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings, including the total disbursements from each fund, a list of claims allowed, the reason for the claims and a summary of all receipts, be published within fifteen days of the meeting. Minutes publications for four meetings tested did not include a list of total disbursements by fund, a list of claims allowed, the reason for the claims or a summary of all receipts. In addition, Chapter 380.7 of the Code of Iowa requires all minutes of City Council meetings be properly signed. Minutes for two meetings tested were not properly signed. Also, Chapter 21.3 of the Code of Iowa requires minutes to show information sufficient to indicate the vote of each member present. Minutes for two meetings tested did not show information sufficient to indicate the vote of each member present.

Recommendation – The City should comply with the Code of Iowa and publish a list of disbursements by fund, a list of claims allowed, the reason for the claims and a summary of all receipts. In addition, minutes of the City Council meetings should be signed to authenticate the actions taken and show sufficient information to indicate the vote of each member present.

- (G) Certified Budget – Disbursements for the year ended June 30, 2016 exceeded the amounts budgeted in the public works, culture and recreation, community and economic development and general government 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.

- (H) Questionable Disbursements – During the period reviewed, \$59 was disbursed to purchase flowers for a funeral. In addition, memorial gifts of \$100 to St. Jude’s Hospital and \$100 to the Stephen Memorial Animal Shelter were approved and disbursed. These disbursements may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefit to be derived has 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.

City of Beacon

Detailed Recommendations

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

In addition the Constitution of the State of Iowa prohibits governmental bodies from making a gift to private non-profit corporations. Article III, Section 31 of the Constitution of the State of Iowa states, "... no public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly."

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation. The City should also ensure all future disbursements comply with the Constitution of the State of Iowa.

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

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

- (J) Local Option Sales Tax – The City's local option sales tax (LOST) ballot, which became effective in January 2017, requires LOST receipts to be allocated as follows: 70% for services from other municipalities and 30% for the City Hall Fund. Since the new ballot became effective, the City has recorded all LOST receipts in the City Hall Fund and no method of tracking the use of LOST receipts has been developed to ensure the receipts are used in accordance with the ballot. In addition, the City recorded \$3,198 of LOST received in November 2016 into the Special Revenue, Road Use Tax fund.

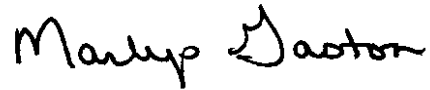
Recommendation – The City should establish procedures to properly account for LOST receipts, disbursements and balances in accordance with the LOST ballot provisions. The City should also approve and record a journal entry to correct the LOST receipt incorrectly recorded into the Special Revenue, Road Use Tax fund.

City of Beacon

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Manager  
Adjoa S. Adanledji, Staff Auditor  
Nicole G. Benson, Assistant Auditor

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

Marlys K. Gaston, CPA  
Director