



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

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Vining, Iowa for the period July 1, 2016 through June 30, 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 independent review of bank reconciliations. The City should also establish a written investment policy in accordance with Chapter 12B.10B of the Code of Iowa and update the official depository resolution to comply with Chapter 12C.2 of the Code of Iowa. In addition, the City should amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget. To provide accountability and to support public purpose, all disbursements should be supported by invoice or other supporting documentation which is properly retained and separately maintained records should be included in the City's accounting records and be reported to the City Council monthly.

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/1722-0836-EPOP>.

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CITY OF VINING
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2016 THROUGH JUNE 30, 2017

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City of Vining

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
George Bazal	Mayor	Jan 2016	Jan 2018
Arlo Cibula	Council Member	Jan 2016	Jan 2018
Robert (Bobby) Kesl, Jr.	Council Member	Jan 2016	Jan 2018
Fred Vore	Council Member	Jan 2016	Jan 2018
Jeff Vore	Council Member	Jan 2016	Jan 2018
Janet Stout	Council Member	Jan 2016	Jan 2018
Barb Bazal	City Clerk		Indefinite
Daniel Rathjen	Attorney		Indefinite

City of Vining



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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 Vining for the period July 1, 2016 through June 30, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Vining'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 Vining during the course of our agreed-upon procedures. 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

December 4, 2017

Detailed Recommendations

City of Vining

Detailed Recommendations

For the period July 1, 2016 through June 30, 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 – depositing, recording and reconciling.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – record keeping and preparing.
- (5) Financial reporting – preparing and reconciling.
- (6) Accounting system – performing all general accounting functions and having custody of assets.

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 – The following items were noted for the City Fire Department:

- All accounting functions are handled by one individual without adequate compensating controls.
- Bank reconciliations are not documented or reviewed by an independent person.
- Pre-numbered receipts are not issued.
- Proper supporting documentation for disbursements is not maintained.
- Accounting records did not facilitate the proper classification of receipts or disbursements.

Recommendation – The Fire Department should segregate accounting duties to the extent possible, require the issuance of pre-numbered receipts for all collections, maintain and cancel invoices or other supporting documentation and properly classify receipts and disbursements in the accounting records.

(C) Separately Maintained Records – The City of Vining Fire Department and the Special Events Committee maintain separate accounting records for certain operations. These transactions and resulting balances are not included in the City’s accounting records.

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 reported to the City Council on a monthly basis.

City of Vining

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (D) Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations did not include all City funds. In addition, bank reconciliations were not reviewed by an independent person.

Recommendation – The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly, including all City funds. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (E) 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.

- (F) Monthly Financial Reports – Monthly financial reports provided to the City Council for review and approval did not include a comparison of actual to budgeted disbursements by function.

Recommendation – The City should establish procedures to ensure monthly financial reports provided to the City Council for review and approval include a comparison of actual to budgeted disbursements by function.

- (G) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the culture and recreation and community and economic development functions prior to the budget amendment. 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) 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, while a motion was approved in July 1998 naming a financial institution as the official depository of the City, the approval of the official depository was not by written resolution and did not specify the maximum amount which may be kept on deposit 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 should also, by resolution, approve an official depository and specify the maximum amount to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

City of Vining

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (I) Supporting Documentation – For eight of 30 disbursements tested, invoices and other supporting documentation were not maintained by the City to support disbursements. In addition, one disbursement for \$214 was not provided to the City Council for approval.

Recommendation – To provide accountability and to support public purpose, all City disbursements should be supported by invoice or other supporting documentation which is properly retained. All claims should be presented to the City Council for approval.

- (J) Questionable Disbursements – During the period reviewed, \$53 was disbursed by the Vining Fire Department for alcoholic beverages and \$173 was disbursed for T-shirts. 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.

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.

- (K) Payroll – Documentation for approved payroll rates was not maintained.

Recommendation – All pay rates should be reviewed and approved by the City Council. The approved rates should be documented in the City Council meeting minutes.

- (L) City Council Meeting Minutes – Minutes publications do not include total disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa. Also, the City Council meeting minutes did not always indicate the vote of each City Council member present as required by Chapter 21.3 of the Code of Iowa. In addition, minutes for the March 3, 2017 City Council meeting were not signed as required by Chapter 380.7(4) of the Code of Iowa.

Recommendation – The City Council should ensure the minutes publications include total disbursements by fund and the meeting minutes indicate the vote of each City Council member present, as required. The minutes should also be signed to authenticate the action taken.

- (M) Annual Financial Report (AFR) – The fiscal year 2016 AFR did not include the separately maintained Vining Fire Department and Special Events Committee account activity or balances for the year as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The City should ensure the AFR includes activity for all City accounts.

- (N) 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.

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.

City of Vining

Staff

This engagement was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Erin J. Sietstra, Staff Auditor
Sarah K. Nissen, Assistant Auditor


Marlys K. Gaston, CPA
Director