

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

February 16, 2018

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Sheffield, 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. The City should also establish procedures to ensure proper monthly book to bank reconciliations are prepared and utility billings, collections and delinquent accounts are reconciled for each billing period. In addition, the City should comply with the budget amendment requirements of Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

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/1721-0337-BLOF>.

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CITY OF SHEFFIELD

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

**FOR THE PERIOD
JULY 1, 2016 THROUGH JUNE 30, 2017**

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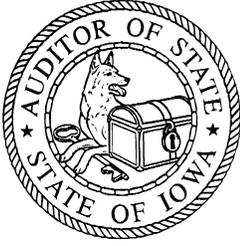
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City of Sheffield

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Nick Wilson	Mayor	Jan 2018
JC McCaslin	Council Member	Jan 2018
Mike McKee	Council Member	Jan 2018
Ron Simmons	Council Member	(Resigned Feb 2017)
James Robbins (Appointed Mar 2017)	Council Member	Nov 2017
Jim Hegarty	Council Member	Jan 2020
Brad Mulford	Council Member	Jan 2020
Katy Flint	City Clerk/Treasurer	Indefinite
Megan Rosenberg	Attorney	Indefinite

City of Sheffield



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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 Sheffield 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 Sheffield'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 2017 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 receipts for accurate accounting and consistency with the recommended COA.
11. 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.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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 Sheffield 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

January 16, 2018

Detailed Recommendations

City of Sheffield

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) Investments – recording, reconciling and custody.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
- (6) Utilities – entering rates into the system, billing, collecting, depositing and posting.
- (7) Debt – recording and compliance.
- (8) Journal entries – preparing and recording.
- (9) Accounting System – performing all general accounting functions, controlling all data input and output 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) Bank Reconciliations – The cash and investment balances in the City’s general ledger were reconciled to bank and investment account balances throughout the year. However, for one of two months reviewed, the independent review of the reconciliation was not documented. In addition, for the two months reviewed, the bank and book balances did not properly reconcile. At September 30, 2016 and June 30, 2017, the City’s general ledger exceeded the bank and investment account balances by \$11 and \$103.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

City of Sheffield

Detailed Recommendations

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

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled for the first seven months of fiscal year 2017. Beginning with February 2017, the City attempted to reconcile utility billings, collections and delinquent accounts monthly, however, the reconciliations were incomplete, the beginning balances did not always agree to the prior month's ending balances and differences were not investigated and resolved in a timely manner. For one month reviewed, March 2017, the calculated delinquent amount was \$47 greater than the amount reported on the City's outstanding balances report for utilities.

The City maintains an outstanding balances report for utilities which only provides the delinquent account balance in total. The City does not maintain a detailed delinquent accounts listing, by customer, on a monthly basis.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. Detailed delinquent account listings should be prepared monthly and retained. 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.

- (D) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the public safety, public works, community and economic development and business type activities functions prior to the budget amendment. Disbursements at year end exceeded the amounts budgeted in the public safety, public works and business type activities 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.

- (E) Monthly City Clerk's Report – The monthly City Clerk's reports to the City Council did not include a summary of receipts, disbursements, transfers and balances by fund.

Recommendation – The City Clerk should prepare monthly City Clerk's reports which include a summary of receipts, disbursements, transfers and balances by fund.

- (F) Transfers – One transfer was improperly classified as a receipt and disbursement in the budget and, therefore, was not approved by the City Council.

Recommendation – All transfers should be approved by the City Council, either in the City Council meeting minutes or in the budget, as applicable.

- (G) Petty Cash – Petty cash funds on hand with the City and the Library are not maintained at established amounts and are not independently counted on a regular basis.

Recommendation – The City Council and Library Board should approve an established amount to be maintained in each petty cash fund. The petty cash accounts should be independently counted on a regular basis.

City of Sheffield

Detailed Recommendations

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

- (H) Disbursements – For three of thirty disbursements tested, the payment was made prior to City Council approval. For seventeen of thirty disbursements tested, supporting documentation was not cancelled to prevent reuse.

Recommendation – All disbursements should be approved by the City Council prior to payment and supporting documentation for claims should be cancelled to prevent reuse.

- (I) Journal Entries – Journal entries are not reviewed and approved by an independent person.

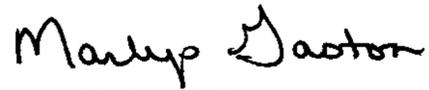
Recommendation – An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

City of Sheffield

Staff

This engagement was performed by:

Tammy A. Hollingsworth, CIA, Manager
Justin M. Gibbons Staff Auditor
Taryn M. Plunkett, 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