



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 27, 2018

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Bayard, Iowa for the period April 1, 2015 through March 31, 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 and establish procedures to reconcile utility billings, collections and delinquent accounts.

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/1522-0363-EPOP>.

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CITY OF BAYARD

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

**FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016**

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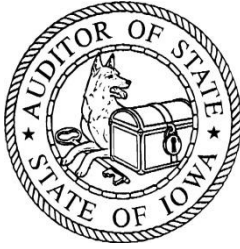
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City of Bayard

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Gary Allen Long	Mayor	Jan 2015	Jan 2017
Dana Stein	Council Member	Jan 2015	Jan 2017
Tom Wardyn	Council Member	Jan 2015	Jan 2017
Dillion Wurr	Council Member	Jan 2015	Jan 2017
Dana Christensen	Council Member	Jan 2015	Jan 2017
Brandon Patrick	Council Member	Jan 2015	Jan 2017
Julie Winnett	City Clerk/Treasurer		Indefinite
David Bruner	Attorney		Indefinite

City of Bayard



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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 Bayard for the period April 1, 2015 through March 31, 2016, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Bayard'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 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 voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
14. 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.
15. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
16. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
17. 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 Bayard 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 22, 2018

Detailed Recommendations

City of Bayard

Detailed Recommendations

For the period April 1, 2015 through March 31, 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) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
 - (2) Cash – handling, reconciling and recording.
 - (3) Receipts – opening mail, collecting, depositing, recording and reconciling.
 - (4) Utilities – billing, posting collections, entering rates into the system and maintaining detailed accounts receivable and write-off records.
 - (5) Debt – record keeping, compliance and debt payment processing.
 - (6) Journal entries – preparing and recording.
 - (7) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (8) Payroll – recordkeeping, preparing, signing and distributing checks.
 - (9) 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, pre-numbered receipts are not issued, paid invoices or other supporting documentation are not properly canceled and 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, cancel invoices or other supporting documentation to prevent reuse and properly classify receipts and disbursements in the accounting records.

- (C) Bank Reconciliations – Cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year. For the two months reviewed, bank and book balances did not properly reconcile. The “Bank Statement Reconciliation” reports generated from the City’s financial system include the City’s main checking and savings accounts, but exclude the three other checking accounts.

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 Bayard

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

- (D) 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.

- (E) Monthly City Treasurer’s Report – There was no evidence that monthly financial reports were provided to the City Council detailing receipts, disbursements and ending balances by fund or comparisons of total disbursements for all funds to the certified budget.

Recommendation – Monthly financial reports should be prepared and submitted to the City Council for their review and approval. All reports should be maintained on file. Comparisons of total disbursements for all funds to the certified budget by function should be included in the financial reports to provide better control over budgeted disbursements and provide the opportunity for timely amendments to the budget.

- (F) Deposits – 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 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.

- (G) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Four of four monthly meeting minutes reviewed were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council meeting minutes within fifteen days, as required.

- (H) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the capital projects function prior to the budget amendment. Disbursements at year end exceeded the amounts budgeted in the culture and recreation, general government 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.

City of Bayard

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

- (I) Separately Maintained Records – The City of Bayard Library maintains 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.

- (J) Payroll – There was no evidence that the wages of five out of five employees reviewed were approved by the City Council. In addition, one of the five timesheets did not include evidence the timesheet was reviewed and approved by supervisory personnel prior to preparation of payroll.

Recommendation – Procedures should be established to ensure payroll rates are approved and documented by the City Council and timesheets are reviewed and approved by supervisory personnel prior to the preparation of payroll.

- (K) Disbursements – Invoices and other supporting documentation was not available for 7 of 35 disbursements tested from the City’s bank account and two credit card transactions were not supported by original vendor receipts.

Recommendation – All disbursements should be supported by invoices or other supporting documentation. Purchases made with credit cards should be supported by original vendor receipts and the original receipts should be reconciled to the monthly statements.

- (L) Local Option Sales Tax – The City’s local option sales tax (LOST) ballot requires LOST receipts be used for community betterment. For the year ended June, 2015, \$96,514 of LOST receipts were transferred to the Special Revenue, Road Use Tax and Library Funds and the Enterprise, Water Sinking Fund. The City Council did not document how these transfers meet the provisions of the LOST ballot.

Recommendation – The City should implement procedures to track LOST disbursements and transfers to ensure and document LOST receipts are used in accordance with the ballot.

- (M) Financial Reporting – Library receipts totaling \$2,250 from the Iowa Department of Education were incorrectly recorded as donations. Also, a road use tax receipt of \$5,744 was incorrectly recorded as a LOST receipt.

Recommendation – The City should implement procedures to ensure all receipts are properly recorded.

City of Bayard

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

- (N) Annual Financial Report – The 2015 Annual Financial Report (AFR) did not accurately report the beginning and ending fund balances for fiscal year 2015. Beginning balances for the governmental funds of \$206,833 and for the proprietary funds of \$(10,376) were not reported, which resulted in the ending balances not agreeing to the City’s June 30, 2015 general ledger.

Recommendation – The City should establish procedures to ensure the AFR, including the beginning and ending fund balances, is accurate and supported. The City should ensure fund balances from the prior year are carried forward and ending fund balances agree with the general ledger balances.

- (O) Journal Entry Documentation – Journal entries were not properly supported and were not approved by an independent person.

Recommendation – Supporting documentation should be maintained which substantiates all journal entries. Journal entries should be approved by an independent person and evidence of the approval should be documented.

- (P) Long-term Debt – The City does not maintain long-term debt agreements for recordkeeping and reconciliation purposes.

Recommendation – The City should maintain all long-term debt agreements for recordkeeping and reconciliation purposes.

- (Q) 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 for several bank accounts.

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.

- (R) Accountability of Checks – Voided checks were not always retained, making it difficult to account for all checks. In addition, unused checks are not properly safeguarded.

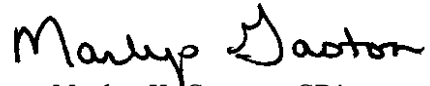
Recommendation – Voided checks should be retained to provide accountability and unused checks should be properly safeguarded.

City of Bayard

Staff

This engagement was performed by:

James S. Cunningham, CPA, Manager
Chad C. Lynch, Staff Auditor
Sarah J. Swisher, Staff Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive style with a large, stylized initial "M".

Marlys K. Gaston, CPA
Director