

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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

April 2, 2018

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Seymour, 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 and establish procedures to ensure all garbage bags and tags are deposited intact. In addition, the City should comply with Chapter 384.18 of the Code of Iowa and amend the budget 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/1721-0897-BLOF>.

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CITY OF SEYMOUR

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

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

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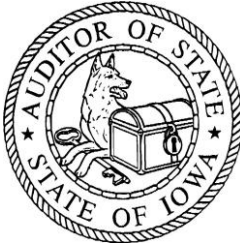
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City of Seymour

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Caleb Housh	Mayor	Jan 2018
Lisa Banks-Carter	Council Member	Jan 2018
Tom Rembe	Council Member	Jan 2018
Dale Weeks	Council Member	Jan 2018
Clint Housh	Council Member	Jan 2020
Clayton Merritt	Council Member	Jan 2020
Mary Haines	City Clerk	Indefinite
Dan Rockhold	Attorney	Indefinite

City of Seymour



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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 Seymour 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 Seymour'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 voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
12. 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.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 Seymour 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

March 26, 2018

Detailed Recommendations

City of Seymour

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 – recordkeeping, custody of investments, and reconciling.
- (3) Debt – recordkeeping and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (5) Utilities – billing, collecting, depositing, posting and entering rates into the system.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – recordkeeping, preparing checks, distributing checks and entering rates into the system.
- (8) Journal entries – preparing and recording with no independent review.
- (9) Computer System – performing all general accounting functions and all data input and output.

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 City’s bank reconciliations did not include evidence of an independent review.

Recommendation – An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(C) Miscellaneous Receipts – The City collects monies from the sale of garbage bags and tags. There does not appear to be procedures in place to ensure that all monies collected from garbage bag and tag sales are deposited to the bank account and reconciled to tags on hand.

Recommendation – Procedures should be implemented to ensure all garbage bags and tags are either on hand or sold, and that all monies from garbage bag and tag sales are deposited intact and timely.

City of Seymour

Detailed Recommendations

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

- (D) Petty Cash Fund – The petty cash fund was not maintained on an imprest basis and was not maintained at the authorized amount. Additionally, the petty cash fund was not included in the City’s accounting records and resulting fund balances.

Recommendation – The petty cash fund should be maintained on an imprest basis to provide additional control over the petty cash fund. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits. Additionally, the financial activity and balances of all City funds and accounts, including petty cash, should be included in the City’s accounting system.

- (E) Investments – An accounting record/register is not maintained for each investment.

Recommendation – An accounting record/register should be maintained for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number.

- (F) 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. Minutes for three of four meetings tested were not published within fifteen days.

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

- (G) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the culture and recreation, general government and debt service 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) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Caleb Housh, Mayor, Manager at Lockbridge, Promise City	Various supplies and materials	\$ 4,970
	Materials for the fire station	66,202

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions for various supplies and materials may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

City of Seymour

Detailed Recommendations

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

Additionally, while the City obtained quotes for the construction of the fire station, no formal bids were obtained. Per Chapter 362.5(3)(d) of the Code of Iowa, the fire station transactions may represent a conflict of interest since the contracts made with a City officer were not awarded upon competitive bid in writing, publicly invited and opened.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (I) Journal Entries – Supporting documentation was not maintained for journal entries and journal entries were not properly approved.

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.

- (J) Fuel Usage – While the City maintains a log of fuel usage, a reconciliation of fuel used to the amount purchased is not performed.

Recommendation – To provide accountability over fuel usage, the City should reconcile the amount used by City employees to the amount purchased. Any differences should be investigated and resolved.

- (K) Water Usage – While the Water Superintendent monitors water usage on a daily basis, there is no formal reconciliation of water billed to the amount purchase.

Recommendation – The Water Superintendent should prepare a monthly reconciliation of water purchased to the amount billed to customers. Any differences should be investigate and resolved.

City of Seymour

Staff

This engagement was performed by:

Katherine L. Rupp, CPA, Manager
Robert Quinn Barrett, Staff Auditor
Mitchell M. Kirby, Assistant Auditor


Marlys K. Gaston, CPA
Director