

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

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

October 1, 2018

Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of La Motte, Iowa for the period January 1, 2017 through December 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. The City should also establish procedures to ensure bank and utility reconciliations are completed monthly and are independently reviewed. In addition, the City should ensure the City's Annual Financial Report agrees to the City's records.

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://www.auditor.iowa.gov/reports/audit-reports/>.

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**CITY OF LA MOTTE**

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

**FOR THE PERIOD**  
**JANUARY 1, 2017 THROUGH DECEMBER 31, 2017**

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**City of La Motte**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Paul Konrardy	Mayor	Jan 2014	Jan 2018
Joseph Clasen	Council Member	Jan 2014	Jan 2018
David Herrig	Council Member	Jan 2014	Jan 2018
Matt Wagner	Council Member	Jan 2014	Jan 2018
William Hutchcroft	Council Member	Jan 2016	Jan 2020
Nicole Manders	Council Member	Nov 2017	Jan 2020
Joyce Hancock	City Clerk		Indefinite
Steve Kahler	Attorney		Indefinite

**City of La Motte**



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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 La Motte for the period January 1, 2017 through December 31, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of La Motte'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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
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 La Motte 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

September 5, 2018



## **Detailed Recommendations**

City of La Motte

Detailed Recommendations

For the period January 1, 2017 through December 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) Cash – handling, reconciling and recording.
- (2) Investing – recordkeeping, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable records.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.

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) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” We noted the following regarding the City’s fiscal year 2017 AFR:

- Disbursements reported on the AFR were \$3,109 less than the City’s records.
- The fiscal year 2017 AFR beginning balance of \$403,568 agreed with the 2016 adopted budget beginning balance. The balance did not agree with the monthly City Clerk’s report for June 30, 2016 of \$652,413, a variance of \$248,845.
- The fiscal year 2017 AFR ending balance of \$445,111 did not agree with the monthly City Clerk’s report for June 30, 2017 of \$676,251, a variance of \$231,140.

Recommendation – The City should implement procedures to ensure the AFR disbursements and fund balances agree with City records.

(C) Bank Reconciliations – Bank and investment balances were not reconciled to book balances monthly. At May 31, 2017 and June 30, 2017, the City’s Clerk’s report was \$3,224 more and \$2 less than the reconciled bank and investment balances, respectively. Lists of outstanding checks were not prepared monthly and retained. In addition, the bank reconciliations were not reviewed by an independent person.

Additionally, the City deposits utility receipts into a clearing bank account and then monthly transfers the collections to the main checking account. It appears the April 2017 utility receipts were not transferred from the clearing account.

City of La Motte

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the City Clerk’s monthly reports and the reconciliations are reviewed by an independent person. The review should be documented by the initials or signature of the reviewer and the date of the review. Variances, if any should be reviewed and resolved timely. A listing of outstanding checks should be prepared and retained monthly. Additionally, utility receipts should be reconciled to collections in the clearing bank account to ensure all funds are correctly transferred to the main checking account.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other designated independent person 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) Local Option Sales Tax – The City imposed a local option sales tax (LOST) with receipts to be allocated 100% for capital reserve for the general fund. While no disbursements were made from the Special Revenue, LOST fund during the period reviewed, the City does not maintain documentation to demonstrate the tax receipts were spent in accordance with the LOST ballot provisions.

Recommendation – The City should maintain documentation to demonstrate LOST collections are spent in compliance with the LOST ballot provisions.

- (F) Payroll – Hourly employee timesheets did not include evidence of supervisory review and approval.

Recommendation – Timesheets should be should be reviewed and approved by supervisory personnel prior to processing payroll.

- (G) Certified Budget – At June 30, 2017, disbursements exceeded the amount budgeted in the business type function. 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) Employee Benefits and Emergency Tax Levies – The City budget form prescribed by the Iowa Department of Management requires the employee benefits and emergency levies to be accounted for in Special Revenue Funds. The City accounted for the proceeds of the employee benefits and emergency levies in the General Fund rather than establishing separate Special Revenue Funds.

Recommendation – The City should establish Special Revenue Funds to account for the employee benefits and emergency levies, as required.

City of La Motte

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

- (I) 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 four of four meetings tested 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.

- (J) 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, although a resolution naming official depositories was adopted by the City in April 2018, maximum deposit amounts for each bank were not included in the depository resolution 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 adopt a depository resolution which establishes maximum deposit amounts for each bank in accordance with Chapter 12C.2 of the Code of Iowa.

- (K) 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 its bank account.

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 La Motte

Staff

This engagement was performed by:

Katherine L. Rupp, CPA, Manager  
Christopher M. Anderson, Staff Auditor  
Matthew K. Nnanna, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director