



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

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

October 9, 2018

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Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released a Report on the Status of Findings and Recommendations from the City of Truesdale Periodic Examination Report dated April 6, 2016. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period June 1, 2017 through December 31, 2017.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight. While two of the nineteen findings reported in the Periodic Examination Report dated April 6, 2016 have been corrected, two have been partially corrected and two are reported as "no longer valid", thirteen of the findings are reported as "not corrected".

A copy of the City of Truesdale's Report on the Status of Periodic Examination Findings and Recommendations 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/audit-reports/>.

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**CITY OF TRUESDALE**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON THE STATUS OF PERIODIC EXAMINATION  
FINDINGS AND RECOMMENDATIONS**

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

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**City of Truesdale**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jessie Muesburger	Mayor		Jan 2020
Chris Barrickman	Council Member	Jan 2018	Jan 2020
Steve Bovero	Council Member	Jan 2018	Jan 2020
Kevin King	Council Member	Jan 2018	Jan 2020
Connie Lewis	Council Member	Jan 2018	Jan 2020
Tina Shannon	Council Member	Jan 2018	Jan 2020
Angie Nielson	City Clerk/Treasurer		Indefinite
Andy Brown	Attorney		Indefinite

**City of Truesdale**



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Independent Accountant's Report on the Status of Periodic  
Examination Findings and Recommendations

To the Honorable Mayor and Members of the City Council:

The Office of Auditor of State issued a Periodic Examination Report dated April 6, 2016 on the City of Truesdale, Iowa covering the period January 1, 2015 through December 31, 2015 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.


This report includes the findings and recommendations from the City's Periodic Examination Report date April 6, 2016 and the current status of the City's implementation of the recommendations included in that report. This report covers the period June 1, 2017 through December 31, 2017.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

The purpose of this report is to report on the current status of the City's implementation of the recommendations included in the Periodic Examination Report dated April 6, 2016. 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 Truesdale during the course of our follow-up procedures engagement. Should you have 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 12, 2018

**Report on the Status of Periodic Examination  
Findings and Recommendations**



City of Truesdale

Report on the Status of Periodic Examination Findings and Recommendations

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

**Findings Reported in the Periodic Examination Report dated April 6, 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, recording, depositing, journalizing and reconciling.
- (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (7) 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.

**Current Status – Not corrected. The recommendation is repeated.**

(B) Bank Reconciliations – The cash and investment balances in the City Treasurer’s monthly reports were reconciled to bank and investment account balances throughout the year. However, for the two months reviewed, bank and book balances did not properly reconcile. For the two months tested, an unknown reconciling item of approximately \$180 is listed on the outstanding check list as “old ck” and varies in amount in order to reconcile. The City Clerk represented this variance has existed for some time. Also, the certificate of deposit (CD) balance is not updated to reflect earnings. In addition, the bank reconciliations were not independently reviewed.

Recommendation – The City should established procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. Also, CD balances should be updated to reflect posted earnings. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

**Current Status – Not corrected. The recommendation is repeated.**

City of Truesdale

Report on the Status of Periodic Examination Findings and Recommendations

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

- (C) Annual Financial Report – The beginning balances for the governmental and proprietary activities did not agree to the prior year ending balances reported in the June 30, 2014 Annual Financial Report (AFR). Also, while the total governmental fund balance reported on the AFR agreed to the Treasurer’s report, a variance of \$1,500 exists between the General Fund and the Special Revenue Fund balances compared to the City Treasurer’s report.
- Recommendation – The City should ensure the current year AFR beginning balances agree with the prior year ending balances. Also, the City should investigate the ending fund balances and make a transfer, if necessary, to correct the fund balances.
- Current Status – Not corrected. A variance of \$340 was noted between the ending governmental and proprietary balances reported in the June 30, 2016 Annual Financial Report (AFR) and the beginning balances reported in the June 30, 2017 AFR. Also a variance of \$28 exists between the ending balances reported in the General and Special Revenue Fund balances shown in the June 30, 2017 AFR compared to the City Treasurer’s report for June 30, 2017. The recommendation is repeated.**
- (D) Change Fund – The City maintains a change fund for which no authorization could be located. In addition, the funds were not included in the City’s accounting records and resulting fund balances.
- Recommendation – The change fund should be formally authorized by the City Council and should be maintained on an imprest basis to provide additional control over the fund. The change fund should be included in the City’s accounting records and resulting fund balances.
- Current Status – Not corrected. The recommendation is repeated.**
- (E) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.
- Recommendation – To provide better financial information and control, the COA, or its equivalent, should be followed.
- Current Status – Not corrected. The recommendation is repeated.**
- (F) 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 all reconciliations and monitor delinquent accounts. The review of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review.
- Current Status – Partially corrected. During the period reviewed, the City prepared a listing of delinquent accounts monthly. However, as of December 31, 2017, monthly reconciliations of utility billings were not being performed. The recommendation is partially repeated.**

City of Truesdale

Report on the Status of Periodic Examination Findings and Recommendations

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

- (G) Disbursements – Invoices or other supporting documentation were not always available to support disbursements. Monthly payments for meter reading and solid waste collection services were not supported by an invoice or contract and the City Council meeting minutes did not document the approval. One credit card account disbursement tested included a late fee. Also, certain disbursements were paid prior to City Council approval. Additionally, Internal Revenue Service (IRS) forms 1099 were not issued to vendors for services of \$600 or more in a year.

Recommendation – All disbursements should be supported by invoices, approved contracts or other supporting documentation. The City could adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to the City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval. All bills should be paid timely to avoid late fees. Additionally, IRS forms 1099 should be issued to vendors for services of \$600 or more in a year.

**Current Status – Not corrected. The recommendation is repeated.**

- (H) Payroll – City Council approval of the City Clerk’s salary could not be located and was unavailable for review during the performance of our procedures. In addition, review and approval of wage and withholding rates entered into the payroll system are not performed by an independent person. Also, employees do not prepare and submit timesheets to support hours worked.

Recommendation – The City Council meeting minutes should document approved salaries and pay rates for all City employees at the time of hiring and when raises occur. Someone other than the employee entering the information should review and approve the wage and withholding rates entered in the payroll system. Also, timesheets should be prepared by all employees and should be signed by the employee and the employee’s immediate supervisor prior to submission. The timesheets should support all hours worked and all hours taken as vacation, sick leave and compensatory time.

**Current Status – Not corrected. The recommendation is repeated.**

- (I) Bank Signature Card – The bank signature card for one CD included a former employee and the former mayor as authorized check signers.

Recommendation – The City should ensure the bank signature card is accurate and updated timely.

**Current Status – Not corrected. The recommendation is repeated.**

City of Truesdale

Report on the Status of Periodic Examination Findings and Recommendations

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

- (J) Restrictive Endorsement – Checks were not restrictively endorsed immediately upon receipt.

Recommendation – To safeguard collections, checks should be restrictively endorsed immediately upon receipt.

**Current Status – Corrected. During the period reviewed, restrictive endorsements were placed on checks immediately upon receipt.**

- (K) Prenumbered Receipts – While the City issues prenumbered receipts, they are not always recorded and reconciled to deposits.

Recommendation – All prenumbered receipts should be recorded and reconciled with timely deposits, and the reconciliation should be reviewed periodically by an independent person.

**Current Status – Not corrected. The recommendation is repeated.**

- (L) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in culture and recreation function 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.” Also, Chapter 384.16(3) of the Code of Iowa requires the City Council to set a time and place for a public hearing on the budget before the final certification date and to publish (or post in three public places if the City’s population is less than 200) notice of the hearing not less than ten nor more than twenty days before the hearing. The posted notice indicated the public hearing was to be held March 12, 2014, but the public hearing was held on March 11, 2014.

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. Also, the City should ensure the posted notice of public hearing accurately reflects the date of the public hearing.

**Current Status – Corrected. Disbursements for fiscal year 2017 did not exceed the amounts budgeted. In, addition, the notice for public hearing was posted on February 25, 2016, 11 days before the budget was adopted on March 8, 2016.**

- (M) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be posted in three public places within fifteen days of the meeting. The postings should include a list of all claims allowed, a summary of receipts, total disbursements by fund, a summary of ordinances or amendments adopted and annual individual gross salaries. None of the postings tested included a list of claims allowed, a summary of receipts, total disbursements from each fund or a summary of ordinances or amendments adopted. In addition, the annual individual gross salaries were not posted.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and ensure the minutes postings include a list of claims allowed, a summary of receipts, total disbursements by fund and a summary of ordinances or amendments adopted. Also, annual individual gross salaries should be posted, as required.

City of Truesdale

Report on the Status of Periodic Examination Findings and Recommendations

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

**Current Status – Partially corrected. During the period reviewed, the City posted a list of claims allowed. However, a summary of disbursements by fund, a summary of receipts, a summary of ordinances or amendments adopted and annual individual gross salaries were not posted. The recommendation is partially repeated.**

- (N) 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, 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 should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. 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.

**Current Status – Not corrected. The recommendation is repeated.**

- (O) Loan Agreements – On July 14, 2015, the City entered into a loan agreement for \$3,780 to blacktop a portion of a street. The City did not comply with the provisions of Chapter 384.24A and 384.25 of the Code of Iowa which require certain authorization procedures to be followed prior to entering into a loan agreement, including publication of a notice of intended action and the time and place of the public hearing.

Recommendation – The City should comply with the Code of Iowa requirements before entering into future loan agreements.

**Current Status – No longer valid. The loan agreement noted above ended during the period of these follow-up procedures and no new loan agreements were entered into by the City.**

- (P) Local Option Sales Tax – The ballot establishing the City’s local option sales tax (LOST) allocation could not be located by the City. We obtained documentation from the County Auditor establishing the LOST distribution as 50% for relief of water bills and 50% for capital improvements. The City records LOST receipts in the General Fund and does not maintain documentation to demonstrate the tax receipts were spent in accordance with the LOST ballot provisions.

Recommendation – The City should obtain and file a copy of the LOST ballot. Also, the City should maintain documentation to demonstrate LOST collections are disbursed in compliance with the LOST ballot provisions.

**Current Status – Not corrected. The recommendation is repeated.**

City of Truesdale

Report on the Status of Periodic Examination Findings and Recommendations

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

- (Q) Credit Card – The City has a credit card for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card purchases.

Recommendation – The City should adopt a formal written policy regulating the use of the City's credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to support the purchase.

**Current Status – Not corrected. The recommendation is repeated.**

- (R) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

**Current Status – Not corrected. The recommendation is repeated.**

- (S) City Council Vacancy – According to Chapter 372.13(2) of the Code of Iowa, when a vacancy occurs on the City Council, the vacancy should be filled one of two ways: the City Council should 1) appoint a member within 60 days after the vacancy or 2) call a special election. If the City Council fails to make an appointment within sixty days, the City Clerk shall give notice of the vacancy to the County Commissioner and the County Commissioner shall call a special election to fill the vacancy at the earliest practicable date.

In July 2015, Linda Anderson resigned from the City Council and the City Council was unable to find a resident to serve on the City Council. Since an appointment was not made within sixty days of the vacancy, the City should have notified the County Commissioner and a special election should have been held to fill the position.

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

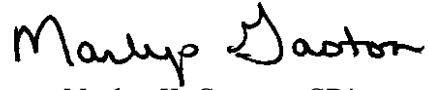
**Current Status – No longer valid. At the time of our follow-up procedures, there were no City Council vacancies.**

City of Truesdale

Staff

This engagement was performed by:

Deborah J. Moser, CPA, Manager  
Steven O. Fuqua, CPA, Senior Auditor II

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