



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

November 21, 2018

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 Swaledale's Periodic Examination Report dated March 9, 2016. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period June 1, 2017 through January 31, 2018.

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. Some of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight. While four of the seven findings reported in the Periodic Examination Report dated March 9, 2016 have been corrected, three of the findings are reported as "not corrected".

A copy of the City of Swaledale'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/>.

###

CITY OF SWALEDALE

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

**FOR THE PERIOD
JUNE 1, 2017 THROUGH JANUARY 31, 2018**

Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant’s Report on the Status of Periodic Examination Findings and Recommendations	5
Status of Findings and Recommendations Previously Reported in the City’s Periodic Examination Report:	<u>Finding</u>
Segregation of Duties	A 7
Monthly Financial Reports	B 7
Financial Condition	C 7
Deposits and Investments	D 8
Official Depositories	E 8
Reconciliation of Utility Billings, Collections and Delinquent Accounts	F 8
Certified Budget	G 8
Staff	9

City of Swaledale

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
John Drury	Mayor	Jan 2016	Jan 2020
John Bonner	Mayor Pro Tem	Jan 2016	Jan 2020
Jalynn Eddy	Council Member	Jan 2016	Jan 2020
Cynthia McDermott	Council Member	Jan 2016	Jan 2020
Roger Myhre	Council Member	Jan 2018	Jan 2022
Brian Caspers	Council Member	Jan 2018	Jan 2022
Judy Witte	City Clerk/Treasurer		Indefinite
Matthew Berry	Attorney		Indefinite

City of Swaledale



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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 March 9, 2016 on the City of Swaledale, 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 dated March 9, 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 January 31, 2018.

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. Some 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 March 9, 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 Swaledale 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

October 29, 2018

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

City of Swaledale

Report on the Status of Periodic Examination Findings and Recommendations

For the period June 1, 2017 through January 31, 2018

Findings Reported in the Periodic Examination Report dated March 9, 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) Cash – handling, reconciling and recording.
 - (2) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
 - (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable.
 - (5) Payroll – entering rates into the system, recordkeeping, preparing, signing 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 and journal entries 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) Monthly Financial Reports – The City has established separate checking and savings accounts for the General Fund, the Special Revenue, Fire Department and Library Funds and the Enterprise, Water and Sewer Funds to assist in tracking the balances available in each individual fund. Although bank account balances are reconciled each month to the City's Balance Sheet by Fund report, the fund balances on the Balance Sheet by Fund report and on the Profit and Loss by Class report do not agree to the bank balances. As a result, the fund balances included on the monthly Balance Sheet by Fund and Profit and Loss by Class reports provided to the City Council for review were not accurate.

Recommendation - The City should determine the correct fund balances and make the necessary corrections to properly report the City's fund balances.

Current Status – Corrected. At January 31, 2018, the fund balances have been corrected and are properly reported.

- (C) Financial Condition – At June 30, 2015, the City reported a deficit balance of \$426 in the Enterprise, Sewer Fund.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial condition.

Current Status – Corrected. At January 31, 2018, the City reported a cash balance of \$1,551 in the Enterprise, Sewer Fund.

City of Swaledale

Report on the Status of Periodic Examination Findings and Recommendations

For the period June 1, 2017 through January 31, 2018

- (D) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B 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.

Current Status – Corrected. The City has adopted a written investment policy in compliance with the provisions of Chapter 12B.10B of the Code of Iowa.

- (E) Official Depositories – 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.

Current Status – Corrected. The City Council adopted a resolution approving amounts at all approved depositories in compliance with Chapter 12C.2 of the Code of Iowa.

- (F) 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 independent person designated by the City Council should review the 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 – Not corrected. The recommendation is repeated.

- (G) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the culture and recreation and general government 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.

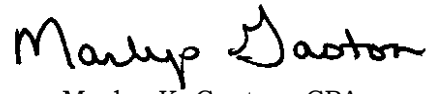
Current Status – Not corrected. Disbursements during the year ended June 30, 2017, exceeded the amounts budgeted in the public safety and debt service functions. The recommendation is repeated.

City of Swaledale

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager
Mallory A. Peters, Staff 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