



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

December 3, 2019

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rod Sand today released a Report on the Status of Findings and Recommendations from the City of Keswick's Periodic Examination Report dated August 31, 2016. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period June 1, 2018 through March 31, 2019.

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. All twelve findings reported in the Periodic Examination Report dated August 31, 2016 are repeated in this report. While the City corrected three of the findings and partially corrected one of the findings, eight of the findings are reported as "not corrected".

A copy of the City of Keswick's Report on the Status of Periodic Examination Findings and Recommendations is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**CITY OF KESWICK**

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

**FOR THE PERIOD  
JUNE 1, 2018 THROUGH MARCH 31, 2019**

**City of Keswick**



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Rob Sand  
Auditor of State

September 27, 2019

Officials of the City of Keswick  
Keswick, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the follow-up report on the Status of Periodic Examination Findings and Recommendations for the City of Keswick, Iowa, for the period of June 1, 2018 through March 31, 2019.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Keswick throughout the follow-up engagement. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

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**City of Keswick**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Ron George	Mayor	Jan 2018	Jan 2020
David Krumm	Council Member	Jan 2018	Jan 2020
Becky Leer	Council Member	Jan 2018	Jan 2020
Jeremy Randall	Council Member	Jan 2018	Jan 2020
Karen Sieren	Council Member	Jan 2018	Jan 2020
Gregory Sowers	Council Member	Jan 2018	Jan 2020
Brandee Harper	City Clerk/Treasurer		Indefinite
John Wehr	Attorney		Indefinite

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Rob Sand  
Auditor of State

Auditor of State's Independent 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 August 31, 2016 on the City of Keswick, Iowa covering the period July 1, 2015 through June 30, 2016 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 August 31, 2016 and the current status of the City's implementation of the recommendations included in that report. This report covers the period June 1, 2018 through March 31, 2019.

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 August 31, 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 Keswick 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.

Marlys K. Gaston, CPA  
Deputy Auditor of State

September 27, 2019



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

City of Keswick

Report on the Status of Periodic Examination Findings and Recommendations

For the period June 1, 2018 through March 31, 2019

**Findings Reported in the Periodic Examination Report dated August 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) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Computer system – performing all general accounting functions and controlling all data input and output.
- (6) Disbursements – invoice processing, check writing, check signing, reconciling and recording.
- (7) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
- (8) Utilities – billing, collecting, depositing, posting and entering rates into the system.

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 balances in the City’s general ledger were reconciled to bank account balances throughout the year. However, an independent review of the bank reconciliations was not performed.

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

**Current Status – Corrected. During the period reviewed, an independent review of the monthly bank reconciliations was performed and was evidenced by the initials of the reviewer and date of the review.**

(C) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

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

City of Keswick

Report on the Status of Periodic Examination Findings and Recommendations

For the period June 1, 2018 through March 31, 2019

- (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 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.

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

- (E) 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 the 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.

**Current Status – Corrected. During the period reviewed, the City used online banking and printed the bank activity for each month to complete the monthly bank reconciliations. The City has access to view the front and back of check images for up to two years.**

- (F) Monthly City Clerk's Report – The monthly City Clerk's Report presented to the City Council does not include a comparison of actual disbursements to budget by function.

Recommendation – The monthly City Clerk's Report presented to the City Council should include a comparison of actual disbursements to budget by function.

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

- (G) Local Option Sales Tax – The City's local option sales tax (LOST) receipts are credited to the General Fund and no documentation is maintained to account for LOST receipts, disbursements and balances.

Recommendation – The City should establish a Special Revenue, Local Option Sales Tax Fund to properly account for LOST receipts, disbursements and balances.

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

City of Keswick

Report on the Status of Periodic Examination Findings and Recommendations

For the period June 1, 2018 through March 31, 2019

- (H) Payroll – Timesheets are not required for all City employees. Also the wage rate for one of five employees tested was not approved by the City Council.

Recommendation – Timesheets should be submitted by all City employees. The timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Wage rates for all employees should be approved by the City Council and the rates should be documented in the City Council meeting minutes.

**Current Status – Corrected. During the period reviewed, wages and salaries for all employees were approved by the City Council and the approvals were documented in the City Council meeting minutes. Salaried employees pay, including the City Clerk's pay, was approved by the City Council, however, since they are not approved for compensatory time, timesheets are not required. Hourly employees submitted timesheets to the City Clerk for approval.**

- (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 and include total disbursement from each fund and a summary of all receipts. For two of four meetings tested minutes were not published within fifteen days of the meeting and the minutes for all meetings tested did not include total disbursements from each fund or a summary of receipts. Also, minutes were not properly signed as required by Chapter 380.7 of the Code of Iowa and meetings were not preceded by proper notice in accordance with Chapter 21.4 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and publish City Council meeting minutes within fifteen days of the meeting and include total disbursements from each fund and a summary of receipts. All minutes should be signed and should be preceded by proper notice, as required.

**Current Status – Partially corrected. During the period of review, all meeting minutes were signed as required by Chapter 380.7 of the Code of Iowa. However, for two of four meetings tested, the minutes were not published within fifteen days of the meeting and the publications for all meeting dates tested did not include total disbursements from each fund or a summary of receipts. In addition, minutes were not preceded by proper notice in accordance with Chapter 21.4 of the Code of Iowa. The recommendation is partially repeated.**

- (J) Deposits and Investments – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. In addition, the City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required. The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

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

City of Keswick

Report on the Status of Periodic Examination Findings and Recommendations

For the period June 1, 2018 through March 31, 2019

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

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

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

- (L) Unrecorded Interest – The City does not record interest earned on certificates of deposit (CD's) in the City's general ledger.

Recommendation – Interest earned on CD's should be recorded in the City's general ledger.

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

City of Keswick

Staff

This engagement was performed by:

Marlys K. Gaston, CPA, Deputy  
Tammy A. Hollingsworth, CIA, Manager  
Luke M. Bormann, CPA, Staff Auditor