



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

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

August 28, 2020

Contact: Ernest Ruben
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Dunkerton, Iowa for the period July 1, 2017 through June 30, 2019. The agreed-upon procedures engagement was performed at the request of petitioners pursuant to Chapter 11.6(3) of the Code of Iowa. The petition submitted requested an audit or examination. In accordance with Chapter 11.6(3) of the Code of Iowa, the Auditor of State determined an examination was appropriate to address the petitioner's concerns.

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on page 7 of this report. The findings address a lack of segregation of duties, the lack of a credit card policy and the City Council not entering into closed session meetings properly. Sand provided the City with recommendations to address each of the findings.

A copy of the agreed-upon procedures report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

###

CITY OF DUNKERTON
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2017 THROUGH JUNE 30, 2019

City of Dunkerton



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

June 25, 2020

Officials of the City of Dunkerton
Dunkerton, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the agreed-upon procedures report for the City of Dunkerton, Iowa, for the period July 1, 2017 through June 30, 2019. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6(3) of the Code of Iowa and 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.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Dunkerton throughout the agreed-upon procedures 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 that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

Table of Contents

	<u>Page</u>
Officials	3
Auditor of State's Independent Report on Applying Agreed-Upon Procedures	4-5
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 7
Credit Card Policy	B 7
City Council Meeting Minutes	C 7
Petition for Examination	D 7
Staff	8

City of Dunkerton

Officials

(Before January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ed Jessen	Mayor	Jan 2018
Mark Lichty (Appointed)	Council Member	Nov 2017
DJ Manahl	Council Member	Jan 2018
Adam Fuelling	Council Member	Jan 2018
Tina Dalton	Council Member	Jan 2020
Tom DeLong	Council Member	Jan 2020
Sheila Steffen	City Clerk/Treasurer	Indefinite
Jim Peters	Attorney	Indefinite

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ed Jessen	Mayor	Jan 2020
Tina Dalton	Council Member	Jan 2020
Tom DeLong	Council Member	Jan 2020
Mark Lichty	Council Member	Jan 2022
DJ Manahl	Council Member	Jan 2022
Bill Richard	Council Member	Jan 2022
Sheila Steffen	City Clerk/Treasurer	Indefinite
Jim Peters	Attorney	Indefinite



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We received a petition requesting an audit or examination (i.e., agreed-upon procedures) of the City of Dunkerton in accordance with Chapter 11.6(3) of the Code of Iowa. Pursuant to Chapter 11.6(3) of the Code of Iowa, the Auditor of State determined an examination was appropriate to address the petitioner's concerns. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Dunkerton for the period July 1, 2017 through June 30, 2019. The City of Dunkerton's management, which agreed to the performance of the procedures performed, is responsible 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 observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa as well as to determine if significant actions were properly approved by the City Council.
2. We obtained an understanding of the City's internal controls over the receipts, payroll and disbursements transaction cycles 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 observed 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.
4. We traced selected receipts for accurate accounting and consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA).
5. We traced 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.
6. We traced selected payroll and related transactions for proper authorization and accurate accounting and determined whether payroll was proper.
7. We observed the City's local option sales tax (LOST) ballot to determine if LOST receipts were used in accordance with the approved ballot.
8. We observed selected capital projects to determine if they were properly approved by the City Council.

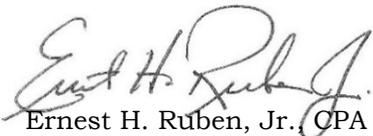
9. We observed City Council meeting minutes regarding a public works employee including whether an offer of employment was approved and whether the offer was for a specified period or other employment stipulations existed.
10. We observed the letter of resignation from a public works employee to determine the last date of employment.
11. We observed timesheets for a public works employee for the period March 2018 through July 2019 to determine if timesheets were approved by supervisory personnel.
12. We observed and determined if correspondence from the Iowa Department of Natural Resources resulted in noncompliance by the City.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and 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 findings and 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 Dunkerton 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.


Ernest H. Ruben, Jr., CPA
Director

June 25, 2020

Detailed Findings and Recommendations

City of Dunkerton

Detailed Findings and Recommendations

For the period July 1, 2017 through June 30, 2019

(A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (2) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (3) Payroll – recordkeeping, preparing, distributing, entering rates into the system and maintaining vacation and sick leave balances.
- (4) Journal entries – preparing and recording.

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) Credit Card Policy – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards or established procedures for proper accounting of credit card charges.

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

(C) City Council Meeting Minutes – The City Council went into closed session on March 11, 2019. The minutes record did not document the reason for the closed session by reference to a specific Code of Iowa exemption as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

(D) Petition for Examination – Except as noted above, all items in the petition for examination have been resolved.

City of Dunkerton

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Director
Brian R. Brustkern, CPA, Director
Brandon J. Vogel, Senior Auditor II