



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

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NEWS RELEASE

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FOR RELEASE \_\_\_\_\_ February 9, 2007

Auditor of State David A. Vaudt today released a reaudit report on the Lake Park Municipal Utilities for the period July 1, 2004 through June 30, 2005. The reaudit was performed as a result of a request by the Board of the Lake Park Municipal Utilities.

Vaudt recommended the Utilities implement procedures to perform timely reconciliations of Utility billings, collections and delinquencies and also reconcile bank balances to the financial reports by individual fund. In addition, Vaudt recommended the Board adopt formal policies regulating the use of the Utilities' credit card and to require documentation of public purpose for contributions for economic development. Other findings pertained to minutes documentation and publication and electronic check retention. The Utilities responded favorably to the recommendations contained in the reaudit report.

A copy of the reaudit report is available for review in the Utilities' office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/specials.htm>

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**LAKE PARK MUNICIPAL UTILITIES**  
**AUDITOR OF STATE'S REPORT ON REAUDIT**  
**FOR THE PERIOD**  
**JULY 1, 2004 THROUGH JUNE 30, 2005**

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## Lake Park Municipal Utilities

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2005)</b>		
Steve Krummem	Trustee	January 2005
Brent Jacobsen	Trustee	January 2007
John Engel	Trustee	January 2008
Stan Anderson	Trustee	January 2009
Marie Matthiesen	Trustee	January 2010
<b>(After January 2005)</b>		
Brent Jacobsen	Trustee	January 2007
John Engel	Trustee	January 2008
Stan Anderson	Trustee	January 2009
Marie Matthiesen	Trustee	January 2010
Joni Roslansky	Trustee	January 2011
Bradley Brinkman	Utility Manager	January 2006
Roberta Thorn	Utility Clerk	Resigned June 2006

**Lake Park Municipal Utilities**



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Auditor of State's Report on Reaudit

To the Board of Trustees of the  
Lake Park Municipal Utilities:

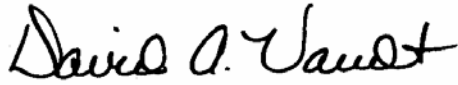
You requested we perform a reaudit of the Lake Park Municipal Utilities (Utilities) under Chapter 11.6(4) of the Code of Iowa. As a result, we reviewed the audit report and workpapers of the Utilities' independent auditing firm for the fiscal year ended June 30, 2005. We determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit or through our preliminary review. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the Lake Park Municipal Utilities for the period July 1, 2004 through June 30, 2005. The procedures we performed are summarized as follows:

1. We performed procedures to review and test selected utility billings, collections and delinquent accounts and to determine whether the Utilities prepared a monthly reconciliation of billings and collections.
2. We reviewed and tested selected disbursements, including disbursements for economic development contributions and credit card payments.
3. We reviewed the minutes for compliance with the requirements of Chapters 21.3 and Chapter 388.4(4) of the Code of Iowa.
4. We reviewed the Utilities' budget and inquired about significant variances between the budget and actual receipts and disbursements.

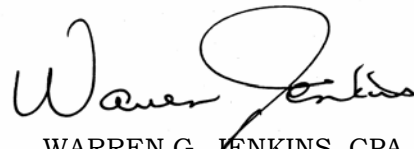
Based on the performance of the procedures described above, we have various recommendations for the Utilities. Our recommendations and the instances of non-compliance are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, items of non-compliance were not noted during the performance of the specific procedures listed above.

The procedures described above are substantially less in scope than an audit of financial statements made in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion on financial statements. Accordingly, we do not express an opinion. Had we performed additional procedures or had we performed an audit of the Lake Park Municipal Utilities, additional matters might have come to our attention that would have been reported to you. Pursuant to Chapter 11.15 of the Code of Iowa, a copy of this report has been filed with the Dickinson County Attorney for review and determination of further action, if any.

We would like to acknowledge the assistance extended to us by personnel of the Lake Park Municipal Utilities. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

September 15, 2006



## **Detailed Findings**

Lake Park Municipal Utilities

Detailed Findings

July 1, 2004 through June 30, 2005

- (A) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled. One individual, the former Utility Clerk (former clerk), was primarily responsible for utility billings and collections. We did not note evidence of periodic administrative review of transactions and/or procedures and reports. Our testing disclosed the following:

A utility payment from the former clerk was shown on the “Payments Received” ledger as \$100.00 “cash” and \$171.84 “check”, a total payment of \$271.84. However, the former clerk’s customer ledger reflected the \$271.84 payment as “cash” on July 9, 2004. The July 9, 2004 deposit included a check dated July 9, 2004 from the former clerk for \$171.84.

The August 6, 2004 deposit included a check dated August 6, 2004 from the former clerk for \$252.40 which was shown on the “Payments Received” ledger as “check” but recorded on the customer ledger as a “cash” payment on July 31, 2004. This deposit also included a customer payment totaling \$14.00 deposited on August 6, 2004 which was not recorded as a payment on the “Payments Received” ledger or recorded in the customer ledger. According to the deposit slip, cash received totaled \$416.00 but, according to the “Payments Received” ledger, one customer cash payment totaled \$430.00. The customer ledger reflected the \$430.00 payment as “cash” on July 31, 2004.

The August 31, 2004 deposit documented \$54.00 of “cash returned”. The same deposit included a check dated August 31, 2004 from the former clerk for \$314.88. The amount recorded for the former clerk’s payment on the “Payments Received” ledger was \$254.88 marked as a payment by “check”. However, the former clerk’s customer ledger reflected the \$254.88 payment as “cash” on August 31, 2004.

The September 27, 2004 deposit included five checks for customer payments totaling \$905.21 not recorded as payments on the “Payments Received” ledger. The payments were recorded in the customer ledger as paid on September 27, 2004. The former clerk’s payment was shown on the “Payments Received” ledger as \$55.00 “cash” and \$76.33 “check” for a total payment of \$131.33. However, the former clerk’s customer ledger reflected the \$131.33 payment as by “check” on September 27, 2004. The deposit included a check from the former clerk for \$76.33 dated September 27, 2004.

The December 17, 2004 deposit included a check dated December 17, 2004 from the former clerk for \$377.02. The amount recorded for the former clerk’s payment on the “Payments Received” ledger was \$247.02 marked as a payment by “check”. The former clerk’s customer ledger reflected a \$247.02 payment as by “check” on December 17, 2004. One customer listed on the “Payments Received” ledger showed a \$130.00 payment which was not identified as “cash” or “check”. The customer ledger included the \$130.00 payment as a “check” on December 17, 2004. The deposit did not include a check from this customer.

Of eight deposits tested, seven deposits included a combination of cash and checks. The January 26, 2005 deposit totaling \$66,902.38 consisted entirely of checks.

The "Payments Received" ledger did not always identify the account number of the customer and the January 26, 2005 deposit included a check for \$151.23 for interest on a certificate of deposit.

We were unable to determine whether payments other than Utility customer payments may have been included in the "Payments Received" ledger and/or related deposits. Also, due to the lack of monthly reconciliations, we were unable to determine whether all collections were properly deposited and we are unable to determine the propriety of the variances noted above.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies. The Board should review the reconciliation each month and monitor delinquencies. In order to facilitate the reconciliation process, the "Payments Received" ledger should only include customer payments. Other receipts should be recorded and deposited separately. Customer collections should be deposited intact and the total per the "Payments Received" ledger should agree with the total amount deposited for Utilities payments. Cash should not be withheld from the deposit or returned by the bank.

The Utilities should review its segregation of duties over utility billings and collections and implement procedures to perform and document periodic administrative review of transactions and procedures to determine procedures are working as prescribed.

Response – The staff is developing a report that will suit the Utility Boards' needs. We currently segregate between the different types of deposits such as utility billing payments, collections payments and miscellaneous other income. This allows us to accurately track our revenues. We do not withhold cash for utility billing payments to supplement our petty cash in the utility office. If we need petty cash it is authorized through the City Administrator and a check is issued in order to record that a petty cash transaction has occurred.

Currently the only individuals allowed to handle money are the Utility Billing Clerk, the City Administrator and one other authorized individual who is part of the Administrative staff. A new periodic review will be performed randomly each month by the City Administrator in order to ensure proper accounting measures are being taken.

Conclusion – Response accepted.

- (B) Bank Reconciliations – Although bank balances were reconciled, the Utilities did not reconcile bank accounts to individual fund balances and/or provide financial reports to the Utilities Board for review and approval.

Recommendation – Financial reports should be prepared for individual funds, should be reconciled to the bank each month and should be provided to the Utilities Board for review and approval. The minutes should include documentation of the reports provided and approved by the Utilities Board.

Response – The administrative staff is recording account balances, transactions made and budgetary items with its monthly report to the Utility Board. We currently reconcile our records to our bank statements. The minutes the Utility Board approves each month does record that the bills are being approved by the Utility Board. The minutes will now list the reports provided to the Utility Board.

Conclusion – Response acknowledged. In October 2006, the Utilities implemented a new bank reconciliation program to facilitate the reconciliation process. The program identified significant variances between the general ledger account and bank balances for the electric account and the combined gas/water account. These variances should be investigated and resolved during the fiscal 2006 audit of the Utilities. Adjustments, if any, should be reviewed and approved by the Board.

- (C) Credit Cards – The Utilities has a credit card for use by various employees while on Utilities business. The Utilities has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting and documentation required for credit card charges. We noted a credit card payment totaling \$347.77 in March 2005 for travel (convention) expense which did not include any supporting documentation.

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

Response – The Utilities is developing a new written credit card policy stating who is authorized to be in possession and control of the Utilities credit card, where it is to be kept, what purposes it is authorized to be used for, and the minimum amount of documentation needed in order to process the charges incurred.

Conclusion – Response accepted.

- (D) Economic Development – During fiscal 2005, the Utilities made the following economic development loans and contributions:

<u>Date</u>	<u>Recipient</u>	<u>Description</u>	<u>Amount</u>
July 2004	Lake Park Development Corporation	Interest on note	\$ 4,165
August 2004	Harris-Lake Park CSD	Building contribution	12,500
November 2004	Lake Park Development Corporation	Annual grant	10,000
June 2005	Lake Park Development Corporation	Interest on note	<u>3,570</u>
Total			<u>\$ 30,235</u>

Article III, Section 31 of the Constitution of the State of Iowa provides public funds may only be spent for the public benefit. This public purpose criteria is also addressed in various court cases and opinions of the Attorney General, including an Attorney General’s opinion dated April 25, 1979. According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The Utilities Board documented “public purpose” in its agreement with the Harris/Lake Park Community School District to provide \$25,000 in two equal payments to be made in August 2003 and August 2004, towards the cost of building a new school. Although the Board approved the disbursements for economic development, the public purpose was not clearly documented for other economic development grants and contributions.

Recommendation – The Utilities Board of Trustees should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the Utilities should establish written policies and procedures, including the requirement for proper documentation.

Response – While the Utilities documents the funds are going to the specific public purpose it does not state what that purposes function is. Before the next disbursement to the Lake Park Development Corporation is made the purpose of making the grant to the Corporation must be stated and recorded in the minutes. A written policy will need to be adopted before any grant of money for public purpose is to be made.

Conclusion – Response accepted.

(E) Minutes Record and Publications –

Timely Publications – Chapter 388.4(4) of the Code of Iowa states, in part, “Immediately following a regular or special meeting of a utility board, the secretary shall prepare a condensed statement of the proceedings of the board and cause the statement to be published in a newspaper of general circulation in the Utility. The statement must include a list of all claims allowed, showing the name of the person or firm making the claim, the reason for the claim and the amount of the claim.”

A review of the Utilities meeting dates and minutes for July 2004 through June 2005 identified the minutes were not always published “immediately”. A review of publications for the following minutes disclosed:

<u>Date of Meeting</u>	<u>Date Published</u>	<u>Days Elapsed</u>
July 15, 2004	August 11, 2004	27
September 16, 2004	October 20, 2004	34
December 16, 2004	February 2, 2005	48
February 17, 2005	April 6, 2005	48

Salary Publication - Although the Utilities published salaries in prior periods, salaries were not published for fiscal 2004 or fiscal 2005 as required by Chapter 388.4(4) of the Code of Iowa.

Vote of Each Member Present – Chapter 21.3 of the Code of Iowa states, in part:

“Each governmental body shall keep minutes of all its meetings showing the date, time and place, the members present, and the action taken at each meeting. The minutes shall show the results of each vote taken and information sufficient to indicate the vote of each member present. The vote of each member present shall be made public at the open session.”

The minutes documented the vote of each member present for the July and August 2004 meetings but not for subsequent meetings. The minutes indicated “motion carried” or the number of “ayes” or “nays” but did not document the vote of each member present, as required.

Recommendation – The Utilities should submit minutes, including all claims approved, for each meeting of the Utilities Board of Trustees in a timely manner for publication immediately following a meeting as required by the Code of Iowa. Salaries should be published and the minutes should document the vote of each member present.

Response – The Utilities currently submits all minutes to the Dickinson County News within 15 days of the regularly scheduled meeting of the Utility Board.

Several areas were noted in the reaudit concerning items required to be published that shall be published in order to conform to suggestions made by the State Auditor’s Office.

- A. Salary Publication - The Utilities shall publish the annual salary of each individual employed by the Utilities at the first regularly scheduled meeting of each fiscal year. The fiscal budget of the Utilities begins on July 1<sup>st</sup> of each year. Salaries will be reported at the regularly scheduled meeting in July.
- B. Vote of Each Member - The results of any vote of each member of the Utility Board shall be recorded in the minutes during each meeting according to State Law.

Conclusion – Response accepted.

- (F) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Utilities 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 Utilities retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The Utilities should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The Utilities has requested an electronically formatted record of cancelled checks requiring a visual record of the front side and back side of each individual check.

Conclusion – Response accepted.

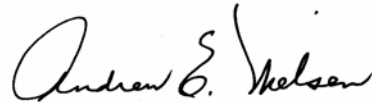
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Lake Park Municipal Utilities

Staff

This reaudit was performed by:

Susan D. Battani, CPA, Director  
Paul F. Kearney, CGFM, Senior Auditor  
Anna Thede, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State