



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 24, 2008

Contact: Andy Nielsen  
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Auditor of State David A. Vaudt today released an agreed upon procedures report on the City of Clutier, Iowa for the period July 1, 2006 through March 31, 2007. Procedures were also performed for certain items applicable to the fiscal years ended June 30, 1997 through June 30, 2006. The agreed upon procedures were performed at the request of the City Council.

Vaudt recommended the City segregate duties over receipts and financial reporting. Vaudt also recommended the City establish procedures to reconcile utility billings, collections and delinquencies, maintain documentation for utility billings and consult legal counsel to resolve an issue relating to township payments. The City's responses are included in the report.

A copy of the report 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 <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF CLUTIER**  
**INDEPENDENT ACCOUNTANT'S REPORT ON**  
**APPLYING AGREED UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2006 THROUGH MARCH 31, 2007**

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**City of Clutier**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Ardene Cross	Mayor	Jan 2008
Arlene Vondracek	Mayor Pro Tem/Council Member	Jan 2008
Gordon Fassett	Council Member	Jan 2008
Barbara Basemann	Council Member	Jan 2008
Pat Goodman	Council Member	Jan 2008
Rochelle Dengler	City Clerk	Indefinite
Bruce Reinders	City Attorney	Indefinite
<b>(After January 2008)</b>		
Ardene Cross	Mayor	Jan 2010
Arlene Vondracek	Mayor Pro Tem/Council Member	Jan 2010
Gordon Fassett	Council Member	Jan 2010
Bruce Kriz	Council Member	Jan 2010
Calvin Pearson	Council Member	Jan 2010
Blake Pearson	Council Member	Jan 2010
Janet Matthias	City Clerk	Indefinite
Bruce Reinders	City Attorney	Indefinite

**City of Clutier**



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Independent Accountant's Report on Applying Agreed Upon Procedures

To the Honorable Mayor and  
Members of the City Council:

We have performed the following procedures, which were agreed to by the City of Clutier, solely to assist you in evaluating the operations of the City for the period July 1, 2006 through March 31, 2007. We also performed procedures for certain items to determine practices applicable to the fiscal years ended June 30, 1997 through June 30, 2006. The City of Clutier's management is responsible for the operating practices and procedures followed by the City.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this 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 were as follows:

1. We obtained an understanding of the City's internal controls over cash, receipts, disbursements and financial reporting.
2. We initially attempted to test utility billings, collections and delinquencies for July 1997. The reconciliation could not be completed due to incomplete utility records. Since the utility records were not complete and/or available for the fiscal years ended June 30, 1998 and June 30, 1999, we reviewed and/or tested selected transactions for utility billings, collections, reconciliations, receipts and deposits. For the fiscal years ended June 30, 2000 and after, we reviewed the billings, collections and deposits and found the records were substantially complete.
3. We reviewed and/or tested selected payments received for township fire protection from Oneida and Carroll townships.
4. We reviewed and/or tested receipt and disbursement transactions pertaining to Community Fire Service, Inc. From June 30, 1997 through at least March 31, 2008, the City Clerk was also the Treasurer of Community Fire Service, Inc.

Based on the performance of the procedures described above, we identified various recommendations for the City which are described in the Detailed Recommendations section of this report. Unless reported in the Detailed 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, the objective of which would be the expression of an opinion on the financial statements of the City of Clutier. Accordingly, we do not express such an opinion. Had we performed additional procedures, or had we performed an audit of financial statements of the City of Clutier, other matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Clutier and other parties to whom the City of Clutier may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the assistance extended to us by personnel of the City of Clutier. 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

February 14, 2008

## **Detailed Recommendations**

City of Clutier

Detailed Recommendations

July 1, 2006 through March 31, 2007

(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. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (4) Financial reporting – preparing, reconciling and distributing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including City officials. Evidence of independent reviews should be indicated by initials of the independent reviewer and date of the review.

Response – Beginning in January of 2006, two signatures were required on all checks written in an effort to segregate duties, and in addition, the Council approved a consent list of only the bills that could be paid and mailed out before review by the Council at their regular meeting.

Conclusion – Response acknowledged. The City should consider utilizing available personnel, including City officials, to perform independent reviews.

(B) Receipts – Although receipts were issued by the City, the receipts were not prenumbered and accounted for in numerical order.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the collection and recording of all City money. The receipts should be prenumbered and accounted for in numerical order. The receipts should be recorded and reconciled with timely deposits and the reconciliation should be reviewed periodically by an independent person. For utility collections, a daily log should be maintained, with one receipt issued for a day's collections and reconciled with timely deposits.

Response – Beginning in January of 2006, a detailed log including name and amount paid by cash or check was established and deposits are made timely.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquencies were not reconciled each month. In addition, the City did not maintain a monthly delinquent utility account listing.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies each month. The City should also prepare a delinquent account listing each month. The City Council should review and approve the reconciliations and monitor delinquent accounts.

Response – Utility billings were reconciled starting in January of 2006, and the Council implemented a “no” exception policy for delinquent accounts.

Conclusion – Response accepted.

- (D) Utility Billings – In the fiscal year ended June 30, 1997, on three occasions the gallons consumed for the account of the then City Clerk’s daughter were reduced and like amounts were added to the City Clerk’s account. The effect was to bill each account at the minimum rate rather than charge as set out in the City ordinance.

Utility records were not complete for the fiscal years ended June 30, 1998 and 1999. On January 19, 2006, City Officials discovered \$349.00 of cash in the City files from customers for utility collections not deposited. City personnel subsequently deposited the \$349.00 in the City’s checking account. Although notations were attached identifying overpayments for individual utility customers, written documentation as to why these collections were not recorded and/or deposited was not available. Per bank officials, the City Clerk periodically withheld cash collections from the amount of utility collections deposited at the bank. Due to the lack of complete utility records, the total amount of cash not deposited cannot be reasonably determined.

According to City officials, on May 6, 2006 the individual who was the City Clerk in 1998 and 1999 returned \$610.66 of utility collections not deposited along with numerous water billings kept at her home. Certain water billings did not appear to have been sent to customers since both copies were attached. City personnel deposited the \$610.66 in the City’s water account.

Recommendation – The City should ensure utility charges are billed as established in the City ordinance and retain all billing registers, paid customer stubs and deposit slips and reconcile collections to deposits. Also, the practice of withholding cash from deposits should be discontinued to reduce the amounts of cash on hand at City Hall.

Response – In January of 2006, the City implemented the policy that no cash would be withheld from bank deposits including the cashing of customer checks, and all monies collected would be timely deposited.

Conclusion – Response acknowledged. The City should bill utility charges as established by ordinance and maintain complete utility records.

- (E) Carroll and Oneida Township Fire Allocations – Deposits totaling \$21,981.81 from Carroll Township and \$20,512.50 from Oneida Township were not deposited to the City’s accounts but were credited to the checking account of Community Fire Service, Inc., a corporation formed under the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa (1966). These collections were allocations for fire protection for the residents of the townships from February 1997 through March 2007 and the checks were made payable either to the Clutier Fire Department or the City of Clutier.

Written agreements were not available to support the deposit of these collections to the Community Fire Service, Inc. checking account. The City believes these collections should have been deposited to the City’s checking account and should be returned to the City. Due to the absence of written documentation to the contrary, we concur with the City’s position.

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

Response – Since checks made payable to the City of Clutier and the Clutier Fire Department were directly deposited to the account of the Community Fire Service, Inc., a non-profit corporation which is not a Department of the City, the City will consult legal counsel.

Conclusion – Response accepted.

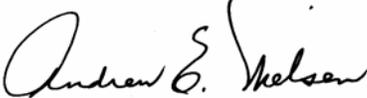
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City of Clutier

Staff

This agreed upon procedures engagement was performed by:

Joe T. Marturello, CIA, Manager  
John G. Vanis, CGFM, Senior Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State