



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

June 18, 2010

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an agreed upon procedures report on the City of Bevington, Iowa for the period July 1, 2008 through June 30, 2009. The agreed upon procedures were performed at the request of the City Council.

Vaudt recommended the City establish segregation of duties over financial reporting, investments, receipts and disbursements. Vaudt also recommended the City establish procedures to reconcile bank statements, establish separate funds to account for road use tax and local option sales tax and research and document the use of local option sales tax proceeds since January 1, 2008. 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/index.html>.

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CITY OF BEVINGTON
INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2008 THROUGH JUNE 30, 2009

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City of Bevington

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Bussanmas	Mayor	Jan 2010
Sarah Black	Council Member	Jan 2010
Jeff Bussanmas	Council Member	Jan 2010
Jerry Bussanmas	Council Member	Jan 2010
Maxine Bussanmas	Council Member	Jan 2010
Rick Kieler	Council Member	Jan 2010
Kathy Kieler	Clerk	Indefinite
John Casper	Attorney	Indefinite

City of Bevington



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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 Bevington, solely to assist you in evaluating the operations of the City for the period July 1, 2008 through June 30, 2009. The City of Bevington'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 are as follows:

1. We obtained an understanding of the City's internal controls over cash, investments, receipts, disbursements and payroll.
2. We tested certain disbursements to determine if disbursements were properly approved, recorded and accounted for.
3. We tested certain receipts to determine if receipts were properly accounted for and used for a proper purpose.
4. We reviewed Council minutes to determine if payroll was approved.
5. We examined bank reconciliations to determine if the balances reconciled to the City's accounting records.
6. We reviewed financial statements to determine if fund balances were properly segregated.
7. We confirmed investments to determine they exist and are properly recorded.
8. We reviewed the Annual Financial Report submitted to the State.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations 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 of the operations of the City of Bevington, the objective of which would be the expression of an opinion on the financial statements of the City of Bevington. 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 Bevington, 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 Bevington and other parties to whom the City of Bevington 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 Bevington. 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

May 18, 2010

Detailed Recommendations

City of Bevington

Detailed Recommendations

July 1, 2008 through June 30, 2009

- (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. Generally, one individual has control over each of the following areas with no compensating controls:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Investments – recordkeeping, investing and safeguarding.
- (3) Receipts – collecting, depositing, journalizing, posting and reconciling.
- (4) Disbursements – check writing, signing, posting and reconciling.

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. Evidence of various reviews should be indicated by initials of the independent reviewer and the date of the review.

Response – The City Clerk will review and reconcile accounts, receipts and disbursements on a monthly basis and have the Mayor and/or Council member review and initial they agree with the findings on a monthly basis.

The investments (CD) will continue to be renewed when appropriate by the Mayor. All investments will be reviewed when up for renewal by the Council.

Conclusion – Response accepted.

- (B) Disbursements – Detailed supporting invoices were not maintained for all disbursements.

Recommendation – All disbursements should be supported by original invoices or other supporting documentation.

Response – The City Clerk will ensure invoices are maintained for all disbursements. Invoices will include the date of service, reason for service, amount compensated for services and the vendor's signature.

Conclusion – Response accepted.

City of Bevington

Detailed Recommendations

July 1, 2008 through June 30, 2009

- (C) Monthly Bank Reconciliations – The Clerk’s balances were not reconciled to the bank accounts and investments monthly.

Recommendation – To improve financial accountability and control, the book and bank balances should be reconciled monthly and retained. Any variances should be investigated and resolved in a timely manner. Investments should be included in the reconciliation.

Response – The City Clerk will continue to maintain a monthly reconciliation of the book and bank balance. All investments (CD’s) will be included in the reconciliation. The monthly reconciliation will be reviewed by the Mayor and/or Council member to ensure accuracy and accountability.

Conclusion – Response accepted.

- (D) Fund Accounting – The City deposits road use tax and local option sales tax in the General Fund of the City.

Recommendation – The City should establish Special Revenue Funds for road use tax and local option sales tax receipts to aid the City in tracking the receipts, disbursements and balances of road use tax and local option sales tax.

Response – The City Clerk will establish special revenue funds for road use tax and local option sales tax. The General Fund, Road Use Tax Fund and Local Option Sales Tax Funds will have their own balances. The City Clerk will ensure CD investments are included in the reconciliations.

Conclusion – Response accepted.

- (E) Local Option Sales Tax – The City’s local option sales tax referendum approved by the voters effective January 1, 2008 provides for 33% of the collections be allocated for property tax relief, 33% for other lawful purposes and 34% to be distributed to Tri-County Regional Authority. Tri County Regional Authority was an entity to be created if Warren, Dallas and Polk County voters approved the referendum. Only the City of Bevington approved the referendum and Tri-County Regional Authority was never created. The City did not track how the portion of local option sales tax receipts authorized for the Tri-County Regional Authority were spent. As a result, we were unable to determine whether the City has used the local option sales tax for the purposes specified in the referendum.

Recommendation – The City should research and document local option sales tax receipts and disbursements since inception to determine the unspent balance. A corrective transfer should be made from the General Fund to establish a Special Revenue Fund for the unspent balance, if any.

Response – The City will ensure the local option sales tax collections and disbursements are appropriately maintained in a separate fund.

City of Bevington

Detailed Recommendations

July 1, 2008 through June 30, 2009

The City will seek input from its attorney as what to do about the Tri-County Regional Authority that was not created.

Conclusion – Response acknowledged. The City should also research and document the receipts and disbursements since inception.

- (F) Annual Financial Report – The Annual Financial Report submitted to the State of Iowa had material errors in receipts, disbursements and fund balances.

Recommendation – The City should review the Annual Financial Report, make appropriate corrections and resubmit the corrected report to the State.

Response – The City Clerk will make corrections to the Annual Financial Report.

Conclusion – Response accepted.

City of Bevington

Staff

This agreed upon procedures engagement was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Karen J. Kibbe, Senior 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