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NEWS RELEASE

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Auditor of State David A. Vaudt today released a report on a special investigation of the Anita Municipal Utilities. The investigation was conducted as a result of concerns identified by the Utilities' Superintendent.

Vaudt reported Barbara Sisler resigned as the Utilities' Secretary/Treasurer on December 30, 2003 because of delinquencies identified in her two personal utilities accounts and her daughter's account. At the time of her resignation, Ms. Sisler's accounts were overdue by \$1,695.41 and her daughter's account was overdue by \$2,704.28. Ms. Sisler submitted two checks to the Superintendent on December 31, 2003 to satisfy the three accounts.

In addition, Vaudt reported Ms. Sisler did not follow the proper procedures when the three accounts in the "Even Pay" program became delinquent. If the accounts had been handled properly, they would have been assessed penalties totaling \$1,346.95.

Vaudt also reported three separate cash collections totaling \$678.87 from one customer could not be found in the deposits made to the Utilities' bank account. The receipts associated with the collections were prepared in May, June and July of 2003. In addition, \$165.24 collected prior to Ms. Sisler's resignation could not be found in the office for deposit to the bank. It was not possible to determine if additional collections were not properly deposited due to the nature of available receipt records. While Ms. Sisler was responsible for preparing deposits and posting payments to customer accounts, several of the Utilities' employees were allowed to collect payments and prepare receipts.

The report includes specific recommendations to strengthen the Utilities' internal controls over collections.

A copy of the report has been filed with the Cass County Attorney's Office. Copies of the report are available for review at the Anita Municipal Utilities, the Office of Auditor of State and on the Auditor of State's website at www.state.ia.us/government/auditor/reports.

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Auditor of State's Report

To the Board of Trustees of the
Anita Municipal Utilities:

While reviewing some of the accounts in late December 2003, the Superintendent of the Anita Municipal Utilities identified certain concerns with accounts of the Utilities' Secretary/Treasurer and an account of her daughter. On December 30, 2003, Barbara Sisler resigned her position as the Secretary/Treasurer. Based on our discussions with the Superintendent, Ms. Sisler resigned as a result of the discrepancies identified.

At the Superintendent's request, we conducted certain tests and procedures to selected financial transactions of the Utilities. Based on discussions with the Superintendent and a review of relevant information, we performed the following procedures.

- (1) Examined Ms. Sisler's and her daughter's utilities accounts for the period they were enrolled in the "Even Pay" program. We examined Ms. Sisler's accounts for the period February 15, 2000 through December 31, 2003. We examined her daughter's account for the period November 15, 1999 through December 31, 2003.
- (2) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively for the period following the Utilities' last audit, July 1, 2003 through December 31, 2003.
- (3) Reviewed selected "hand corrections" made during the period July 1, 2003 through December 31, 2003 for propriety. Prior to July 1, 2003, the log of "hand corrections" was not prepared.
- (4) Reviewed the cash drawer and the petty cash account held at the Utilities' office and related activity for the period December 22, 2003 through January 7, 2004. The last deposit made by Ms. Sisler occurred on December 22, 2003.
- (5) Examined selected bank statements for the period July 1, 2003 through December 31, 2003 to identify any unusual activity.
- (6) Scanned selected vouchers, invoices and checks redeemed from the Utilities' checking account for the judgmentally selected months of August 2002, May 2003 and June 2003 to determine if disbursements were properly approved and supported by adequate documentation.
- (7) Examined selected payroll disbursements for the period July 1, 2003 through December 31, 2003 to determine whether they were appropriate.

- (8) Reviewed the “Even Pay” program to determine whether adequate policies and procedures were in place and operating effectively for the period July 1, 2003 through December 31, 2003. We also reviewed selected “Even Pay” accounts to determine whether the accounts were periodically evaluated and payment amounts were appropriately calculated.

The procedures we performed identified the following items. We have made recommendations to address each of the concerns identified.

- (A) Delinquent Accounts – Ms. Sisler has two utilities accounts. One is for her residence and the second is for a light pole on her property. At December 31, 2003, the balance due on Ms. Sisler’s utilities accounts totaled \$1,935.88 and her daughter’s account totaled \$2,828.75. Of these amounts, \$1,695.41 and \$2,704.28, respectively, were overdue. Ms. Sisler submitted two checks to the Superintendent on December 31, 2003 to satisfy each of the three accounts.

Recommendation – An independent person should periodically review the accounts of Utilities’ employees to ensure they do not become delinquent or they are properly handled in accordance with established procedures if a delinquency occurs.

- (B) “Even Pay” Accounts – Participants in the “Even Pay” program receive utility billings of the same amount each month regardless of actual usage. The monthly billing amount and the actual account balance are reviewed annually by the Superintendent and appropriate adjustments are made to the monthly billing. In order to be eligible for the program, the customer’s account must be current. To remain eligible, accounts cannot go into arrears by more than two months. Penalties do not accrue on unpaid balances for participants in the “Even Pay” program.

Ms. Sisler and her daughter each participated in the “Even Pay” program. However, their actual account balances were not provided to or reviewed by the Superintendent when all other “Even Pay” accounts were evaluated. As a result, their monthly billing amounts were never adjusted and the delinquencies in the accounts were not identified.

In addition, Ms. Sisler did not remove her or her daughter’s accounts from the “Even Pay” program once they were in arrears by more than two billings. If the accounts had been handled properly, they would have been removed from the “Even Pay” program and penalties for delinquencies would have been assessed. If the penalties had been assessed, Ms. Sisler and her daughter would have owed an additional \$318.49 and \$1,028.46, respectively, on their accounts at December 31, 2003.

Recommendation – A complete detailed listing of “Even Pay” accounts should be reviewed on a periodic basis by the Superintendent and the Board of Trustees to provide more effective and timely oversight of the “Even Pay” accounts.

- (C) Undeposited Collections – The Utilities collects receipts for various purposes, including payments for utility billings, television advertisements and rental of cellular tower space.

Utility payments are posted to each customer’s account maintained in the computerized billing system. Occasionally, an account may require manual adjustments. The adjustments are not readily apparent when the customers’ accounts are reviewed. Beginning July 1, 2003, the Superintendent began preparing a log of “hand corrections” made to the customers’ accounts.

During our review of the “hand corrections” made to the billing system, receipt documents and related deposit slips for certain dates, the following conditions were identified:

- In August 2003, the Superintendent discovered postings had not been made to one particular customer’s account for three payments. According to the log of “hand corrections” made to the billing system on August 26, 2003, payments of \$220.00, \$221.68 and \$237.19 made on May 20, 2003, in late June 2003 and July 29, 2003, respectively, were not properly posted at the time of collection.

We reviewed the related receipt and deposit documentation for the appropriate time periods and identified receipts were prepared for cash payments made by the customer. However, the collections were not included in the funds deposited to the bank.

- We were unable to determine whether additional collections were not properly deposited due to the nature of the receipt records available for our review.
- In addition, we identified instances in which the amounts recorded in receipt records did not agree with information recorded on the deposit slip for particular customers. The type of payment recorded (cash, check or money order) was not consistent between the two documents, but the amount recorded on the receipt agreed with the amount posted to each customer’s utility account. Based on the documents we reviewed, it appears some customers’ payments may have been substituted for other customers’ payments on the deposit slip. Because of the nature of the records available, we were not able to readily determine if the potential substitutions resulted in undeposited collections.

Preparation of the deposit and posting to the customers’ accounts was the responsibility of the former Secretary/Treasurer. However, several of the Utilities’ employees, including the Secretary/Treasurer, Superintendent, and others working in the office, were allowed to collect payments from customers walking into the office and prepare receipts.

Recommendation - Pre-numbered receipts should be issued immediately for all collections. Receipts should be recorded and collections deposited intact in a timely manner. The deposits should be reconciled to the receipt documentation. Any undeposited collections should be safeguarded in a locked file or safe.

- (D) Cash Drawer - The Utilities maintains a cash drawer with an established balance. The Superintendent counted the cash and checks in the drawer immediately after the former Secretary/Treasurer resigned and subsequently deposited the collections to the bank.

We attempted to reconcile the funds deposited by the Superintendent to the billing stubs and the receipt records. According to information recorded on the billing stubs and receipts, the amount collected exceeded the amount deposited by \$165.24.

Recommendation - The cash drawer should be balanced each day and an established amount should be maintained in the drawer for change. Any undeposited collections should be maintained in a secure location until they are deposited and deposits should be made intact in a timely manner.

- (E) Utility Billings and Delinquent Account Records - Prior to July 1, 2003, supporting documentation was not maintained for changes and/or adjustments made to customer billings and delinquent account records. As a result, we were not able to determine if adjustments were proper.

In addition, complete, detailed account information is not provided for the "Even Pay" accounts in the monthly utilities billing reconciliation and the delinquency report.

Recommendation - A summary is now being prepared of all changes made to customer billings and account records. Utilities personnel should continue maintaining this documentation and a representative of the Board of Trustees or an independent person designated by the Board should periodically review the adjustments for propriety.

Also, a complete, detailed account listing should be provided for the "Even Pay" accounts in the monthly utilities billing reconciliation and the delinquency report to provide for more effective and timely monitoring of the "Even Pay" accounts.

The procedures we performed do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Anita Municipal Utilities, other matters might have come to our attention that would have been reported to you.

Copies of this report have been filed with the Cass County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office.

We would like to acknowledge the assistance and many courtesies extended to us by the Superintendent of the Anita Municipal Utilities during the course of our investigation.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 15, 2004