



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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FOR RELEASE _____ July 30, 2013 _____ Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an examination report on the City of Gilbert, Iowa for the period May 1, 2012 through April 30, 2013. The examination was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible and establish procedures to ensure computer generated reports are accurate. The City should also comply with the City Council minutes publication requirements of Chapter 372.13(6) of the Code of Iowa.

A copy of the examination 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/1321-0815-EPOP.pdf>.

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CITY OF GILBERT
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
MAY 1, 2012 THROUGH APRIL 30, 2013

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City of Gilbert

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jonathan Popp	Mayor	Jan 2014
Teri Gallahan	Council Member	Jan 2014
Katie Jerkins	Council Member	Jan 2014
Shaon Anderson	Council Member	Jan 2016
Jamie Miller	Council Member	Jan 2016
Frank Rydl	Council Member	Jan 2016
Susan Gens	Clerk/Treasurer	Indefinite



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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of Gilbert pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Gilbert for the period May 1, 2012 through April 30, 2013. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls 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 reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations and verified the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine all required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2012 Annual Financial Report (AFR) to determine it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
9. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.


10. We reviewed the annual certified budget for proper authorization, certification and timely amendment.
11. We reviewed and tested selected payroll and related transactions for proper authorization, propriety and accurate accounting.


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 audit of the operations of the City of Gilbert, 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 City of Gilbert, additional 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 Gilbert and other parties to whom the City of Gilbert 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 many courtesies and assistance extended to us by personnel of the City of Gilbert during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 13, 2013

Detailed Recommendations

City of Gilbert

Detailed Recommendations

For the period May 1, 2012 through April 30, 2013

(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. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

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 evidenced by the signature or initials of the reviewer and the date of the review.

(B) Monthly Treasurer's Report – The October 2012 Treasurer's Report generated by the City's software does not properly total the General and the Special Revenue, Road Use Tax Funds. The General Fund balance totaled to \$437,578, \$164 more than the reported balance of \$437,393. The Road Use Tax Fund balance totaled to \$121,577, \$5 more than the reported balance of \$121,572.

Recommendation – The City should establish procedures to ensure computer generated reports are accurate. The City should work with its software provider to determine the cause for the report errors and take immediate action to correct the reports.

(C) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one meeting tested were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish minutes within fifteen days, as required.

City of Gilbert

Detailed Recommendations

For the period May 1, 2012 through April 30, 2013

- (D) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jonathan Popp, Mayor, owner of Popp Engineering, Inc.	Parts to rebuild a bridge in City park	\$ 5,014

In accordance with Chapter 362.5 of the Code of Iowa, the above transactions may represent a conflict of interest since the contract totals more than \$2,500 and the contract was not competitively bid.

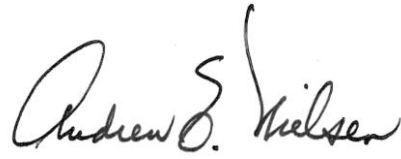
Recommendation – The City should consult legal counsel to determine the disposition of this matter.

City of Gilbert

Staff

This examination was performed by:

Marlys K. Gaston, CPA, Manager
Jennifer L. Wall, CPA, Senior Auditor II
Ryan Jelsma, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State