



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

November 26, 2013

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released a report on applying agreed-upon procedures to the Fayette County Engineer's Office. The report covers the period July 1, 2012 through June 30, 2013.

Mosiman addressed concerns regarding the lack of internal controls over receipts, disbursements and payroll. Mosiman also addressed concerns pertaining to questionable disbursements and compliance with the County's union contract and its policy for employee longevity pay.

Copies of the report are available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0033-BC00.pdf>.

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FAYETTE COUNTY ENGINEER'S OFFICE

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

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Fayette County Engineer's Office

Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Vicki Rowland	Board of Supervisors	Jan 2013
Darrel Dolf	Board of Supervisors	Jan 2015
Jeanine Tellin	Board of Supervisors	Jan 2015
James D. King	County Engineer	Indefinite
Mary Ann Knapp	Office Manager	Indefinite

(After January 2013)

Darrel Dolf	Board of Supervisors	Jan 2015
Jeanine Tellin	Board of Supervisors	Jan 2015
Vicki Rowland	Board of Supervisors	Jan 2017
James D. King	County Engineer	Jun 2013
Mary Ann Knapp	Office Manager	Indefinite

Fayette County Engineer's Office



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Mary Mosiman, CPA
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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Supervisors:

We have performed the following procedures, which were agreed to by Fayette County, solely to assist Fayette County in evaluating certain compliance and accounting requirements for the County Engineer's Office for the period July 1, 2012 through June 30, 2013. Fayette County's management is responsible for the County's compliance with those requirements. 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 summarized as follows:


- (1) We evaluated the 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. Our review included procedures over cash, receipts, disbursements and payroll.
- (2) We reviewed the general ledger to determine if the Secondary Roads Fund was established in accordance with the Uniform Chart of Accounts for Iowa County Governments.
- (3) We scanned Secondary Roads Fund receipts and disbursements for unusual activity.
- (4) We reviewed transfers to the Secondary Roads Fund for authorization, propriety and proper recording.
- (5) We reviewed selected receipts from the State of Iowa for proper recording.
- (6) We reviewed selected disbursements for support, authorization and public purpose.
- (7) We reviewed selected credit card disbursements for support, authorization, public purpose and compliance with the County's credit card policy.
- (8) We reviewed selected capital projects for compliance with bidding requirements.
- (9) We reviewed selected payroll transactions for authorization for pay rates and approval of employee timesheets.
- (10) We reviewed selected payroll transactions for compliance with the County's union contract and Board policy for longevity pay.
- (11) We reviewed selected vacation and compensatory time records for compliance with the County's union contract and County policy.


Based on the procedures described above, we identified various recommendations for the County. Our recommendations 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.

We were not engaged to and did not conduct an audit, the objective of which is the expression of an opinion on financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we performed an audit of the Fayette County Engineer's Office additional information 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 Fayette County and other parties to whom Fayette County 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 Fayette County. 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

July 22, 2013

Detailed Findings

Fayette County Engineer's Office

Detailed Findings

For the period July 1, 2012 through June 30, 2013

A. Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one individual in the County Engineer's Office has control over the following areas for which no compensating control exist:

- (1) Receipts – Although an initial listing of mail receipts is prepared, the listing is not compared to the deposit by an independent person.
- (2) Disbursements – The Office Manager provides the County Engineer with the claims and supporting documentation for approval. The County Engineer signs a listing of the claims to be paid, but no evidence exists indicating the claims and supporting documentation are reviewed prior to signing the claims listing.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the County should review its operating procedures in the County Engineer's Office to obtain the maximum internal control possible under the circumstances. The County Engineer's Office should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by the signature or initials of the reviewer and the date of the review.

B. Payroll – The following items relate to payroll in the County Engineer's Office:

- (1) Employees provide timesheets to their supervisors, but no evidence exists the timesheets are reviewed by the employee's supervisor. In addition, the County Engineer does not approve the payroll journal provided to the County Auditor's Office.
- (2) In prior years, two non-union office employees received longevity pay. Benefits for non-union employees are covered by the County's Employee Information Handbook, which does not provide for longevity pay.
- (3) Two employees retired during fiscal year 2013 but were allowed to continue their employment while they depleted their unused vacation hours. During this time, the employees continued to accrue vacation and were covered by the County's health insurance plan. The union contract and the County's Employee Information Handbook do not address whether employees may use accumulated vacation hours to extend their employment upon retirement.

Recommendation – Employee timesheets should be reviewed and signed by the employee’s supervisor. Fringe benefits allowed by the union contract should not be extended to non-union employees without specific approval by the Board of Supervisors. The Board of Supervisors should determine if the union contract and/or the County’s Employee Information Handbook should address whether accumulated vacation hours can be used to extend the employment of a retiring employee.

- C. Receipts – Prenumbered receipts are not issued. Receipts are only issued upon request by the customer. Checks are not restrictively endorsed until the deposit is prepared.

Recommendation – To strengthen the internal control the County has over collections, prenumbered receipts should be issued to customers for all collections received over the counter. In addition, a restrictive endorsement (for deposit only) should be placed on all checks immediately upon receipt.

- D. Receipt Misclassification – The County was paid \$391,797 from the County’s Farm to Market account by the Iowa Department of Transportation. The County classified this revenue as miscellaneous rather than intergovernmental revenue.

Recommendation – Revenues should be reported in accordance with the Uniform Chart of Accounts for Iowa County Governments.

- E. Questionable Disbursements – The County spent \$163 for refreshments for in-house training sessions. These disbursements may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented

According to the opinion, it is possible for certain 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.

Recommendation - The County should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

- F. Budgeting – The Office Manager indicated the County held a significant portion of the June 2013 bills until July 2013 to avoid exceeding the budget. According to the Office Manager, this has been the Office’s practice in recent years.

Recommendation – The County should review its budgeting practices to ensure disbursements are limited to the amounts budgeted without holding significant bills at year-end.

- G. Petty Cash – A change jar is used for collecting small amounts of copy fees. The collections are used to purchase postage for certified mail. These receipts and disbursements are not recorded by the County.

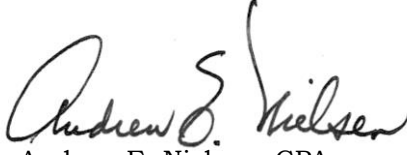
Recommendation – All collections received by the Office should be accounted for and deposited intact with the County Treasurer. A petty cash fund should be established for postage at a set amount. The petty cash should be replenished periodically by submitting a claim, including the postage receipts, to the County Auditor’s Office.

Fayette County Engineer's Office

Staff

This agreed-upon procedures engagement was performed by:

Donna F. Kruger, CPA, Manager
William B. Corley, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State