



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ October 13, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Vincent, Iowa for the period August 1, 2013 through July 31, 2014. The agreed-upon procedures engagement 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. The City should also establish procedures to ensure utility reconciliations are completed monthly.

A copy of the agreed-upon procedures 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/1422-0910-EPOP.pdf>.

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CITY OF VINCENT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
AUGUST 1, 2013 THROUGH JULY 31, 2014

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City of Vincent

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
John Fransen	Mayor	Jan 2014
Jean Gallogly	Council Member	Jan 2014
Lois Vanhorn	Council Member	Jan 2014
Chelsea Nostrom	Council Member	(Resigned Oct 2013)
Donovan Adson (Appointed)	Council Member	Nov 2015
Heath Miller	Council Member	Jan 2016
Rick Ritnour	Council Member	Jan 2016
Michel Fransen	City Clerk/Treasurer	Indefinite
Mark Crimmins	Attorney	Indefinite
(After January 2014)		
Lyn Adson	Mayor	Jan 2018
Donovan Adson	Council Member	Nov 2015
Heath Miller	Council Member	Jan 2016
Rick Ritnour	Council Member	Jan 2016
Brian Mickelson	Council Member	Jan 2018
Corey Rutherford	Council Member	Jan 2018
Michel Fransen	City Clerk/Treasurer	Indefinite
Mark Crimmins	Attorney	Indefinite



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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 an agreed-upon procedures engagement of the City of Vincent pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Vincent for the period August 1, 2013 through July 31, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 surety 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 to determine whether the bank balances properly reconcile 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 recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2014 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. 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.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.

10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

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 Vincent, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Vincent, 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 Vincent and other parties to whom the City of Vincent 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 Vincent during the course of our agreed-upon procedures engagement. 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

September 4, 2014

Detailed Recommendations

City of Vincent

Detailed Recommendations

For the period August 1, 2013 through July 31, 2014

- (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) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.

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

- (B) Investments – An accounting record/register is not maintained for each investment, including a record of earnings on the investment.

Recommendation – An accounting record/register for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number should be maintained, along with a record of earnings on the investment.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts.

- (D) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

City of Vincent

Detailed Recommendations

For the period August 1, 2013 through July 31, 2014

- (E) Disbursements - Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for three transactions tested could not be located or did not provide enough detail to support the disbursement.

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

- (F) Payroll - The annual salary increase for a City employee was approved based upon a percentage. In addition, the actual approved wages were not documented in the City Council minutes.

Recommendation - Annual salary increases should be documented by showing the previous salary, the percentage increase and the new salary. Also, the actual approved wages of employees should be documented in the City Council minutes.

- (G) Timesheets - Timesheets are not reviewed and approved by supervisory personnel prior to preparation of payroll.

Recommendation - Timesheets should be reviewed and approved by supervisory personnel prior to preparation of payroll. Supervisory review/approval should be documented by the supervisor's initials and the date approved.

- (H) City Council Meeting 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 and include total disbursements from each fund and a summary of receipts. The minutes do not include a summary of total disbursements or a summary of receipts for the Local Option Sales Tax (LOST) Fund. Also, the financial activity of the LOST Fund is included with the General Fund.

Recommendation - The City should comply with the Code of Iowa and publish City Council minutes which should include total disbursements by fund and a summary of receipts, as required. Also, the financial activity of the LOST Fund, a Special Revenue Fund, should be reported separately from the General Fund.

- (I) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works and culture and recreation functions. Also, disbursements for the business type activities function exceeded the budget before the budget was amended on May 12, 2014. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (J) Local Option Sales Tax (LOST) - In August 2008, the City enacted a resolution to impose a 1% local option sales tax (LOST) for water and sewer purposes. In March 2009, the City approved an interfund loan of \$84,178 from the General Fund to the Sewer Fund for the lift station project. In accordance with the resolution approving the interfund loan, the loan was to be repaid from the Sewer Fund. During fiscal year 2014, the City repaid the interfund loan from both the LOST Fund and the Sewer Fund.

City of Vincent

Detailed Recommendations

For the period August 1, 2013 through July 31, 2014

Recommendation – The City should either transfer the LOST collections to the Water or Sewer Funds or document formal approval for changes to the repayment schedule for the interfund loans.

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

Name, Title, and Business Connection	Transaction Description	Amount
Donovan Adson, Council Member, Self-employed	Labor for tilities	\$ 666
Kaleb Adson, son of Council Member Donovan Adson and Mayor Lyn Adson, Self-employed	Mowing, per bid	2,720
Heath Miller, Council Member, Self-employed	Snow removal	973
John Fransen, husband of City Clerk Michel Fransen, Self-employed	Snow removal	143
Brian Mickelson, Council Member, Self-employed	Snow removal	79

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with Donovan Adson, Heath Miller, John Fransen and Brian Mickelson do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year. The transaction with Kaleb Adson does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

- (L) Questionable Disbursement – A disbursement we believe 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 was noted. This disbursement is detailed as follows:

Paid to	Purpose	Amount
Vincent Fire	City’s share of “Santa’s Visit” party	\$ 550

According to the opinion, it is possible for such 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 City Council should determine and document the public purpose served by the disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation of public purpose.

City of Vincent

Detailed Recommendations

For the period August 1, 2013 through July 31, 2014

- (M) Financial Condition – The City had a deficit balance of \$2,728 in the Sewer Fund at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return the fund to a sound financial position.

City of Vincent

Staff

This agreed-upon procedures engagement was performed by:

Michelle B. Meyer, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Emma L. McGrane, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State