



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ January 20, 2015 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Wall Lake, Iowa for the period July 1, 2013 through June 30, 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 comply with the budget amendment requirements of Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget and the City Council meeting minutes publication requirements of Chapter 372.13(6) of the Code of Iowa.

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/1421-0769-BL0F.pdf>.

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**CITY OF WALL LAKE**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2013 THROUGH JUNE 30, 2014**

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**City of Wall Lake**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>(Before January 2014)</u></b>		
Steve Druivenga	Mayor	Jan 2014
Ray Boeckman	Council Member	Jan 2014
Daryl Potthoff	Council Member	Jan 2014
Gary Faber	Council Member	Jan 2016
Rob Germann	Council Member	Jan 2016
Francis Riedell	Council Member	Jan 2016
Chris Rodman	City Clerk/Treasurer	Indefinite
Warren Bush	Attorney	Indefinite
<b><u>(After January 2014)</u></b>		
Steve Druivenga	Mayor	Jan 2018
Gary Faber	Council Member	Jan 2016
Rob Germann	Council Member	Jan 2016
Francis Riedell	Council Member	Jan 2016
Ron Lahr	Council Member	Jan 2018
Albert Schwanz	Council Member	Jan 2018
Chris Rodman	City Clerk/Treasurer	Indefinite
Warren Bush	Attorney	Indefinite

**City of Wall Lake**



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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 procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Wall Lake for the period July 1, 2013 through June 30, 2014. The City of Wall Lake's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

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 sufficiency of these procedures is solely the responsibility of those parties specified in the 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 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 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 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 2013 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 debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 City of Wall Lake, 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 Wall Lake, 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 Wall Lake and other parties to whom the City of Wall Lake 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 Wall Lake 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

October 30, 2014



## **Detailed Recommendations**

City of Wall Lake

Detailed Recommendations

For the period July 1, 2013 through June 30, 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) Receipts – opening mail, collecting, recording, depositing, journalizing and reconciling.
- (3) Journal entries – preparing and journalizing.
- (4) Financial reporting – preparing and reconciling.

In addition, an initial listing of mail receipts is not prepared by the mail opener.

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) Bank Reconciliations – Although monthly bank reconciliations were prepared, variances existed between the bank statement balance and the City's general ledger fund balances. Additionally, the reconciliations were not reviewed by an independent person.

Recommendation – To improve financial accountability and control, variances between book and bank balances identified by the monthly bank reconciliations should be investigated and resolved timely. In addition, the reconciliations should be reviewed by an independent person and the reviews should be documented by the signature or initials of the reviewer and the date of the review.

- (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. The reviews of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (D) Credit Card – The City has a credit card for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card purchases.

Recommendation – The City should adopt a formal written policy regulating the use of the City's credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to support purchases.

- (E) Payroll – For one of the five employees selected for testing, hours reported on the employee's timesheet did not agree to the amount of hours paid.

Recommendation – An independent person should periodically review and test hours and wage rates entered in the payroll system for proper calculations. Evidence of testing should be retained.

City of Wall Lake

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (F) Financial Reporting – The total fund balance of \$1,358,791 reported on the fiscal year 2013 Annual Financial Report (AFR) was \$44,925 less than the City’s total general ledger fund balance of \$1,403,716.

Recommendation – The City should establish procedures to ensure the AFR, including the beginning and ending fund balances, is accurate and reconciled to the City’s general ledger.

- (G) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, culture and recreation, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual 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.

- (H) Questionable Disbursement – During the year, \$80 was disbursed for food for employees and visitors to the City Hall. This disbursement may not meet the requirements for public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefit to be derived has not been clearly documented.

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 improper purpose is very thin.

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

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

Name, Title and Business Connection	Transaction Description	Amount
Rob Germann, Council Member, Owner of Jamboree Foods	Supplies for the community pool	\$ 4,413

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

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

- (J) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings to 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 Wall Lake

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (K) General Obligation Bonds – Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund.” The City paid general obligation debt from funds other than the Debt Service Fund.

Recommendation – In the future, the City should transfer funds to the Debt Service Fund to pay general obligation debt.

- (L) Revenue Bonds – The provisions of the electric revenue bonds require sufficient monthly transfers be made to a separate electric revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

The City has established an electric revenue bond sinking account. However, monthly transfers to this account were not made in accordance with the bond provisions.

Recommendation – The City should make sufficient monthly transfers to the electric revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

- (M) Financial Condition – The Debt Service Fund and the Enterprise, Garbage/Landfill Utility Fund had deficit balances of \$2,846 and \$85,899, respectively, at June 30, 2014.

Recommendation – The City should investigate alternatives to return these funds to a sound financial position.

- (N) Chart of Accounts – The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002 and does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting.

Recommendation – To provide better financial information and control, the COA, or its equivalent, should be followed.

City of Wall Lake

Staff

This agreed-upon procedures engagement was performed by:

Timothy D. Houlette, CPA, Manager  
Ramona E. F. Daly, Staff Auditor  
Nate W. Packer, Assistant 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