



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ April 3, 2015 _____

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Atkins, 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. In addition, the City should amend the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceed the amounts budgeted.

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/1421-0032-BLOF.pdf>.

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CITY OF ATKINS

**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 Atkins

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
David Becker	Mayor	Jan 2014
Kevin Korsmo	Mayor Pro Tem	Jan 2014
Connie Drahos	Council Member	Jan 2014
David Duball	Council Member	Jan 2014
Tim Harbach	Council Member	Jan 2014
Diane Herman	Council Member	Jan 2014
Richard Lange	City Clerk/Treasurer	Indefinite
Melissa Rammelsberg	Deputy City Clerk	Indefinite
Don Hoskins	Attorney	Indefinite
(After January 2014)		
David Becker	Mayor	Jan 2018
Kevin Korsmo	Mayor Pro Tem	Jan 2018
Weston Bishop	Council Member	Jan 2016
Tim Harbach	Council Member	Jan 2016
Diane Herman	Council Member	Jan 2018
Bill Lynch	Council Member	Jan 2018
Richard Lange	City Clerk/Treasurer	(Retired Jun 2014)
Melissa Rammelsberg	City Clerk/Treasurer	Indefinite
(Appointed Jun 2014)	Deputy City Clerk	Indefinite
Heather David (Began Jun 2014)		
Don Hoskins	Attorney	Indefinite

City of Atkins



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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 Atkins for the period July 1, 2013 through June 30, 2014. The City of Atkins' 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 2014 Annual Financial Report (AFR) 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 Atkins, 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 Atkins, 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 Atkins and other parties to whom the City of Atkins 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 Atkins 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

January 28, 2015

Detailed Recommendations

City of Atkins

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, depositing, journalizing, reconciling and posting.
 - (3) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
 - (4) Debt – recordkeeping, compliance and debt payment processing.
 - (5) Accounting system – performing all general accounting functions and having custody of assets.
 - (6) Computer system – performing all general accounting functions and controlling all data input and output.
 - (7) Bank reconciliations – Although prepared monthly, the review of the bank reconciliations was not documented by an independent person.
 - (8) City Clerk’s financial reports – Although prepared monthly, the review of the City Clerk’s financial reports was not documented by an independent person.

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) Timesheets – City employees are required to complete timesheets. Timesheets lack supervisory review and approval.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll.

- (C) Computer System – During our review of internal control, the existing control activities in the City’s computer system were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer system were noted:

The City does not have written policies over the computer system for:

- Passwords – including password privacy and confidentiality and requiring passwords to be changed every 60 to 90 days.
- Requiring backups be performed and stored at an offsite location.

Also, the City does not have a written disaster recovery plan.

City of Atkins

Detailed Recommendations

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

Recommendation – The City should develop written policies addressing the above items to in order to improve the City’s control over its computer system. Also, a written disaster recovery plan should be developed, approved and tested periodically.

- (D) Reconciliation of Utility Billings and Collections – Utility billings and collections were reconciled throughout the year. However, there is no evidence an independent review is performed.

Recommendation – Procedures should be established to ensure an independent person or a City Council member review and approve the reconciliations. This review should be documented by the signature or initials of the independent reviewer and the date of the review.

- (E) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. Although a resolution naming official depositories has been approved by the City, the maximum deposit amounts were not included in the depository resolution.

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 adopt a new depository resolution which establishes maximum deposit amounts as required by Chapter 12C.2 of the Code of Iowa.

- (F) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the business type activities function. In addition, disbursements exceeded the amount budgeted in the community and economic development function prior to the budget amendment. 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 sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

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

Name, Title and Business Connection	Transaction Description	Amount
Richard Lange, City Clerk, brother is owner of Atkins Lumber	Lumber and flag pole installation	\$ 3,071
Dave Duball, City Council Member, wife is owner of DP Properties	Cleaning services for City Hall	3,000

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transactions with Atkins Lumber may represent a conflict of interest since the total transactions were more than \$2,500 during the fiscal year.

City of Atkins

Detailed Recommendations

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

In accordance with Chapter 362.5(3)(g) of the Code of Iowa, the above transactions with Dave Duball does not appear to represent a conflict of interest since the bid for the cleaning services was accepted prior to Dave Duball taking office.

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

- (H) Annual Financial Report – The beginning balances reported in the fiscal year 2014 Annual Financial Report do not agree with the ending balances recorded in the fiscal year 2013 Annual Financial Report. In addition, the City’s fiscal year 2014 Annual Financial Report fund balances did not agree with the City’s records.

Recommendation – The City should ensure the beginning balances in future Annual Financial Reports agree to the ending balances in the previous year’s Annual Financial Report. Also, the current year fund balances should agree with the City’s records.

- (I) Journal Entries – Journal entries were not reviewed and approved by an independent person.

Recommendation – Journal entries should be reviewed and approved by an independent person. This review should be documented by the signature or initials of the independent reviewer and the date of the review.

- (J) Annual Urban Renewal Report (AURR) – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.

The City understated the amount reported as TIF debt outstanding on the AURR Levy Authority Summary by \$368,070. In addition, the City understated TIF expenditures by \$13,212. Therefore, the ending fund balance was also overstated by the same amount.

Recommendation – The City should ensure the balances reported on the Levy Authority Summary agree with the City’s records.

- (K) Local Option Sales Tax – Local option sales tax (LOST) collections were recorded in the General Fund. The ballot establishing the local option sales tax calls for 20% of the receipts to be used for the Atkins Fire Department and the Atkins Recreation Department for equipment, 70% to be used for the Community Center, the City Hall, the Library and community improvements and 10% to be used for property tax relief. The City has not been tracking the use of LOST receipts.

Recommendation – The City should record local option sales tax receipts in a Special Revenue Fund to properly track the revenues and ensure the collections are spent according to the ballot provisions. The City should implement procedures to track LOST disbursements and transfers to ensure LOST receipts are being used in accordance with the ballot requirements.

- (L) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not retain electronic images of the back of cancelled checks.

Recommendation – The City should retain an image of both the front and back of each cancelled check as required.

City of Atkins

Detailed Recommendations

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

- (M) Disbursements – One of the thirty disbursements tested was disbursed for more than the amount approved by the City Council. Additionally, two of the thirty disbursements tested lacked proper supporting documentation.

Recommendation – The City should ensure the City Council approves all disbursements. Additionally, all disbursements should be supported by invoices or other supporting documentation.

City of Atkins

Staff

This agreed-upon procedures engagement was performed by:

Tammy A. Hollingsworth, CIA, Manager
Ryan J. Pithan, Staff Auditor
Daniel S. Nilsen, Assistant 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