



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 _____ June 11, 2015 _____

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Lansing, 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 take immediate steps to reduce and eventually eliminate the June 30, 2014 deficit balances in the 2011 Capital Projects – Sewer Fund and the Special Revenue, FEMA Fund.

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/1421-0011-BLOF.pdf>.

###

CITY OF LANSING

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant's Report on Applying Agreed-Upon Procedures	5-6
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 8
Bank Reconciliations	B 8
Reconciliation of Utility Billings, Collections and Delinquent Accounts	C 8
Certified Budget	D 9
Payment of General Obligation Note	E 9
Financial Condition	F 9
Payroll	G 9
Annual Financial Report	H 9
Transfers and Journal Entries	I 10
Disbursements	J 10
Staff	11

City of Lansing

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Mike Verdon	Mayor	Jan 2014
William Burke	Council Member/Mayor Protem	(Resigned Jun 2013)
Pat Wagner (Appointed Jul 2013)	Council Member	Nov 2013
Jeff Bechtel	Council Member	Jan 2014
Rebecca Conway	Council Member	Jan 2014
Ross Kolsrud	Council Member	Jan 2016
Deb Volker	Council Member	Jan 2016
Katie Becker	City Clerk	Indefinite
Dan Ellefson	Deputy City Clerk	Indefinite
Rick Zahasky	Attorney	Indefinite
(After January 2014) *		
Michael Brennan	Mayor	Jan 2016
David Darling	Council Member	Jan 2016
Dick Roeder	Council Member	Jan 2016
Rebecca Conway	Council Member/Mayor Protem	Jan 2018
Ross Kolsrud	Council Member	Jan 2018
Pat Wagner	Council Member	Jan 2018
Katie Becker	City Clerk	Indefinite
Dan Ellefson	Deputy City Clerk	Indefinite
Rick Zahasky	Attorney	Indefinite

* Note: A special election was held August 6, 2013 approving two and four-year Council Member terms to begin after the next regular City election. The three candidates who received the highest number of votes were elected for four-year terms. The remaining two were elected for two-year terms.

City of Lansing



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

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 Lansing for the period July 1, 2013 through June 30, 2014. The City of Lansing'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 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 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.

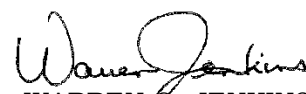
Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Lansing, 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 Lansing, 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 Lansing and other parties to whom the City of Lansing 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 Lansing 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

February 19, 2015

Detailed Recommendations

City of Lansing

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) Investments – investing, recordkeeping and custody.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing and posting.
- (7) Journal entries – preparing and journalizing.
- (8) Long-term debt – maintaining records, recording 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) Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances for the first nine months of the year. Although, reconciliations were prepared for the last three months of the year, the reconciliations did not properly include the City’s investments.

Recommendation – To improve financial accountability and control, monthly bank and investment reconciliations should be performed.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled for the first nine months of the year and a delinquent account listing was not prepared monthly. Although, reconciliations were prepared for the last three months of the year, the beginning balance did not always agree to the prior month reconciliation’s ending balance. In addition, although delinquent account listings were prepared for the last three months of the year, the listings do not agree to the utility reconciliations.

Recommendation – As part of the reconciliation process, the City should ensure the beginning balance agrees to the prior month’s ending balance. In addition, the City should ensure the delinquent account listings agree to the utility reconciliations.

City of Lansing

Detailed Recommendations

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

- (D) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public safety, debt service and capital projects functions. 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.

- (E) Payment of General Obligation Note – Principal and interest on the City’s general obligation marina improvement note were paid from the General Fund. 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 tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payments on the note should be made from the Debt Service Fund as required.

- (F) Financial Condition – At June 30, 2014, the City had deficit balances of \$56,165 and \$27,982 in the 2011 Capital Projects – Sewer Fund and the Special Revenue, FEMA Fund, respectively.

In addition, the City’s Local Option Sales Tax (LOST) Fund had a balance of \$225,859 at June 30, 2014. Per the LOST ballot, these funds are to be used 100% for “repairs, replacements, upgrades and new additions to the infrastructure systems of the City of Lansing, including sanitary sewer system, water distribution and treatment system, storm sewer, streets and street lights.”

Recommendation – The City should take immediate steps to reduce and eventually eliminate the deficit balances to return the funds to a sound financial condition. The City should also investigate whether disbursements from the funds with deficit balances meet the requirements of the LOST ballot. If so, the City should reimburse those funds from the Local Option Sales Tax Fund to begin to eliminate some of the deficit balances.

- (G) Payroll – Two of five payroll timesheets tested did not include evidence of supervisory review.

Recommendation – All timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Approval should be documented by signing or initialing and dating the timesheets.

- (H) Annual Financial Report – The City’s Annual Financial Report (AFR) omitted transfers in and out of \$201,438, which resulted in the ending balances not agreeing to the City’s June 30, 2014 general ledger. In addition, the City incorrectly reported the June 30, 2015 budget information in the June 30, 2014 AFR.

Recommendation – The City should ensure all transfers are included on the AFR. The City should also ensure the correct budget information is included in the AFR.

City of Lansing

Detailed Recommendations

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

- (I) Transfers and Journal Entries – Supporting documentation is not maintained for journal entries. Additionally, transfers and journal entries are not approved.

Recommendation – Supporting documentation should be maintained which substantiates all journal entries. Additionally, all interfund transfers should be approved in the minutes or budget, as applicable. Journal entries should be approved by an independent person and the approval should be documented by signing or initialing and dating the journal entries.

- (J) Disbursements – Invoices or other supporting documentation were not always available to support disbursements. Supporting documentation for four transactions tested could not be located.

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

City of Lansing

Staff

This agreed-upon procedures engagement was performed by:

Tammy A. Hollingsworth, CIA, Manager
Zack D. Kubik, CPA, Staff Auditor
David A. Cook, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State