



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ September 17, 2015 _____ Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Ocheyedan, 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 establish procedures to ensure bank and utility reconciliations are independently reviewed and the Annual Financial Report is prepared accurately. 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/1422-0670-BL0F.pdf>.

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CITY OF OCHEYEDAN

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 Ocheyedan

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Arlyn Pedley	Mayor	Jan 2016
Gene Turner	Mayor Pro Tem	Jan 2016
Brett Kleve	Council Member	Jan 2014
Joe McElroy	Council Member	Jan 2014
Mark Kruger	Council Member	Jan 2016
Mike Schuck	Council Member	Jan 2016
Chrissi Wiersma	City Clerk	Indefinite
Barb Hoekstra	City Treasurer	Indefinite
Mike Thole	City Attorney	Indefinite
(After January 2014)		
Arlyn Pedley	Mayor	Jan 2016
Gene Turner	Mayor Pro Tem	Jan 2016
Mark Kruger	Council Member	Jan 2016
Mike Schuck	Council Member	Jan 2016
Joe McElroy	Council Member	Jan 2018
Scott Wiersma	Council Member	Jan 2018
Chrissi Wiersma	City Clerk	Indefinite
Barb Hoekstra	City Treasurer	Indefinite
Mike Thole	City Attorney	Indefinite

City of Ocheyedan



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Mary Mosiman, CPA
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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 Ocheyedan for the period July 1, 2013 through June 30, 2014. The City of Ocheyedan'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 receipts for accurate accounting and consistency with the recommended COA.
11. 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.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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 Ocheyedan, 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 Ocheyedan, 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 Ocheyedan and other parties to whom the City of Ocheyedan 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 Ocheyedan 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 18, 2015

Detailed Recommendations

City of Ocheyedan

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, recording and custody.
 - (3) Long-term debt – maintaining bonds and other long-term debt records, handling and recording cash.
 - (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (5) Disbursements – purchasing, invoice processing, check writing, signing and mailing, reconciling and recording.
 - (6) Payroll – recordkeeping, preparing and distributing.
 - (7) Utilities – billing, collecting, depositing, posting 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) Payroll – Timesheets are not reviewed and approved by supervisory personnel prior to preparing payroll.

The City Clerk's position was reclassified from a salaried position to an hourly position during the year. For one month during the year, the City Clerk was paid for 82 hours while her timesheet documented 79.75 hours worked. Also, in addition to the City Clerk's duties, the City Clerk provided janitorial services to the City and was paid an hourly rate. For one month during the year, the City Clerk was paid for 4 hours while her timesheet documented 3 hours worked.

Recommendation – The City should establish procedures to ensure all timesheets are reviewed and approved by supervisory personnel prior to preparing payroll. The City Clerk should reimburse the City for the 3.25 hours she was overpaid during the year. In the future, the City Clerk should only be paid for actual hours worked.

- (C) City Street, Water and Sewer Superintendent – The City Street, Water and Sewer Superintendent is paid for 100 hours per two week pay period (80 hours at his approved hourly rate and 20 hours at time and a half). A portion of the 20 hours paid at time and a half may include vacation hours. There is no written employment contract or agreement which states he is required to work 100 hours per pay period.

City of Occheydan

Detailed Recommendations

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

Recommendation – The City should enter into a written employment contract or agreement with the Street, Water and Sewer Superintendent to document the required work hours per pay period and the compensation to be paid for the work performed.

- (D) Initial Receipts Listing – An initial listing of collections was not prepared.

Recommendation – An initial listing of collections should be prepared. The listing should be compared to the bank deposit and the accounting records by an independent person and evidence of this review should be documented.

- (E) Bank Reconciliations – Monthly bank reconciliations are prepared, but there is no evidence of independent review of the reconciliations.

Recommendation – Reconciliations should be reviewed by an independent person and the independent reviewer should sign or initial and date the bank reconciliations to document the review.

- (F) 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. Minutes for three of the four meetings tested were not properly published within fifteen days of the meeting.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa. The City should ensure the minutes of all City Council proceedings are published within fifteen days of the meeting.

- (G) Annual Financial Report – The fund balances reported in the City’s 2014 Annual Financial Report (AFR) do not agree with the amounts recorded in the City’s records.

Recommendation – The City should ensure financial activity included in future Annual Financial Reports agrees to the amounts recorded in the City’s records.

- (H) Investments – An accounting record/register for each investment was not maintained for ten months of the year.

Recommendation – The City should create and maintain an accounting record/register for each investment, including cost, description, date purchased, interest rate, maturity date and identifying number.

- (I) Long-Term Debt – Detailed records of long-term debt are not maintained and periodically reconciled to the general ledger.

Recommendation – The City should ensure detailed records of long-term debt are maintained and periodically reconciled to the general ledger.

- (J) Timely Deposit of Receipts – One of 33 receipts from the State of Iowa was not deposited timely.

Recommendation – To safeguard cash and increase funds available for investment, receipts should be deposited intact and timely.

City of Ocheyedan

Detailed Recommendations

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

- (K) Financial Reports – The City Clerk’s financial reports to the City Council included cash and investment balances and a summary of beginning balance, receipts, disbursements, transfers and ending balance by fund, but did not include comparisons to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City Clerk’s monthly financial reports to the City Council should include comparisons to the certified budget by function.

- (L) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were reconciled throughout the year. However, there is no evidence an independent review was performed. The total utilities billed in the June 2014 utility reconciliation was \$97 more than the total billed for June per the City’s billing register.

Recommendation – The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. Reviews of the reconciliations should be documented by the signature or initials of the reviewer and the date of review. The amount of utilities billed in the utility reconciliation should agree to the City’s billing register for that month.

- (M) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the culture and recreation and community and economic development 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.

- (N) Financial Condition – At June 30, 2014, the City had a deficit balance of \$33,520 in the Special Revenue, Road Use Tax Fund.

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

- (O) Journal Entries – Journal entries are not reviewed and approved by an independent individual.

Recommendation – Journal entries should be reviewed and approved by an independent person and evidence of the approval should be documented.

- (P) Petty Cash/Change Fund – The petty cash/change fund was not maintained on an imprest basis and included miscellaneous receipts not properly deposited or recorded in the general ledger.

Recommendation – The petty cash/change fund should be maintained on an imprest basis to provide additional control over these funds. Imprest systems improve accountability for cash and enhance reconciliation of receipts and deposits. Procedures should be established to ensure all receipts, including miscellaneous fees, are deposited intact and are recorded in the general ledger.

City of Ocheyedan

Detailed Recommendations

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

- (Q) Debt Service – A portion of the principal and interest paid on the City’s general obligation fire truck loan were paid from the General Fund rather than the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa. In addition, all principal and interest payments on the City’s general obligation fire truck loan were recorded in the public safety function rather than the debt service function.

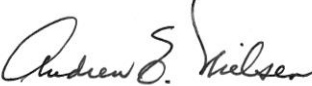
Recommendation – The City should transfer from the General Fund to the Debt Service Fund to pay future general obligation loan payments as required by Chapter 384.4 of the Code of Iowa. The City should ensure all payments on the City’s general obligation fire truck loan are budgeted and recorded in the debt service function.

City of Ocheyedan

Staff

This agreed-upon procedures engagement was performed by:

Tammy A. Hollingsworth, CIA, Manager
Kaylynn D. Short, Senior Auditor
Daniel S. Nilsen, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State