



**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 November 18, 2015

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Sidney, Iowa for the period July 1, 2014 through June 30, 2015. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City strengthen its internal controls, reconcile all bank and investment account balances to the general ledger and develop additional written policies and procedures. The City should also amend the budget before disbursements are allowed to exceed the budget.

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/1521-0343-BL0F.pdf>.

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**CITY OF SIDNEY**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2014 THROUGH JUNE 30, 2015**

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**City of Sidney**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paul Hutt	Mayor	Jan 2016
James Henderson	Council Member	(Resigned Dec 2014)
Michael Livingston (Appointed Jan 2015)	Council Member	Nov 2015
Joe Travis	Council Member	Jan 2016
Todd Chapman	Council Member	Jan 2018
Troy Gorham	Council Member	Jan 2018
Ryan Kersten	Council Member	Jan 2018
Mark Travis	City Manager	Indefinite
Suzanne Moores	City Clerk/Treasurer	Indefinite
T.J. Pattermann	Attorney	Indefinite

**City of Sidney**



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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 Sidney for the period July 1, 2014 through June 30, 2015. The City of Sidney'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.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Sidney, 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 Sidney and other parties to whom the City of Sidney 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 Sidney 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 3, 2015



## **Detailed Recommendations**

City of Sidney

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

(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, depositing, reconciling and recording.
- (2) Investments – investing, recording 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) Payroll – record keeping, preparing and distributing.

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) Reconciliation of Utility Billings, Collections and Delinquent Accounts – While the City attempted to reconcile utility billings, collections and delinquent accounts monthly, the beginning balance did not always agree to the prior month's ending balance. There is no evidence of independent review of the utility reconciliations.

Recommendation – As a part of the reconciliation process, the City should ensure the beginning balance agrees to the prior month's ending balance. The City Council or other independent person designated by the City Council should review the reconciliations and sign or initial and date them to document the review.

(C) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the community and economic development and the debt service 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.

City of Sidney

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

- (D) Bank Reconciliations – The cash and investment general ledger balances were not reconciled to bank and investment account balances throughout the year.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger balances monthly and variances, if any, are reviewed and resolved timely.

- (E) Monthly City Clerk’s Report – The Monthly City Clerk’s Report presented to the City Council for approval does not include beginning and ending fund balances or receipts, transfers and disbursements for each fund.

Recommendation – The beginning and ending fund balances, as well as receipts, transfers and disbursements for each fund, should be included in the monthly reports presented to the City Council for approval.

- (F) Local Option Sales Tax – The City’s local option sales tax (LOST) ballot requires LOST receipts be used 50% for community betterment, 25% for infrastructure and 25% for property tax relief. The City has not tracked the use of LOST receipts to ensure compliance with the ballot requirements.

Recommendation – The City should implement procedures to track LOST disbursements and transfers to ensure LOST receipts are being used in accordance with the ballot.

- (G) Water Revenue Bond – The provisions of the water revenue bond require sufficient monthly transfers be made to a separate water revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The City has established a water revenue bond sinking account, but monthly transfers were not made to this account and principal and interest on the water revenue bonds were not paid from this account, as required.

Recommendation – The City should make sufficient monthly transfers to the water revenue bond sinking account for the purpose of making bond principal and interest payments when due and the water revenue bond principal and interest should be paid from this account, as required.

- (H) Transfers - Transfers between funds were not approved individually by the City Council and transfers in total exceeded the amount approved in the annual budget.


Recommendation – The City Council should approve all interfund transfers prior to the actual transfer and document approval as part of the minutes record.

City of Sidney

Staff

This agreed-upon procedures engagement was performed by:

Brian R. Brustkern, CPA, Manager  
Nicole L. Roethlisberger, Assistant Auditor  
Premnarayan Gobin, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State