

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

State Capitol Building  
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

December 30, 2016

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Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Dows, Iowa for the period April 1, 2015 through March 31, 2016. 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 and take steps to reduce, and eventually eliminate deficit balances. In addition, the City should establish procedures to ensure utility reconciliations are completed monthly and are independently reviewed and the Annual Financial Report is accurate.

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 <https://auditor.iowa.gov/reports/1522-0950-EPOP>.

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**CITY OF DOWS**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
APRIL 1, 2015 THROUGH MARCH 31, 2016**

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**City of Dows**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Larry Klatt	Mayor	Jan 2016	Jan 2018
Judy Gorder	Council Member	Jan 2014	Jan 2018
Don Lane	Council Member	Jan 2014	Jan 2018
Loren Lienemann	Council Member	Jan 2014	Jan 2018
Megan Hessler	Council Member	Jan 2016	Jan 2020
Margaret Worden	Council Member	Jan 2016	Jan 2020
Jeanette Wenzel	City Clerk/Treasurer		Indefinite
Art Cady	Attorney		Indefinite

**City of Dows**



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Independent Accountant's Report on Applying Agreed-Up 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 Dows for the period April 1, 2015 through March 31, 2016. The City of Dows' 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 2015 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 and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 Dows, 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 Dows and other parties to whom the City of Dows 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 Dows 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

June 9, 2016



## **Detailed Recommendations**

City of Dows

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

- (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) Investing – recordkeeping, investing, custody of investments and reconciling and recording.
- (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.

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 - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. 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 review should be documented by the signature or initials of the reviewer and the date of the review.

- (C) Financial Condition – At March 31, 2016, the Special Revenue, Road Use Tax and Enterprise, Waste Water Funds had deficit balances of \$144,316 and \$57,879, respectively.

Recommendation – The City should continue to investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

- (D) Bank Reconciliations – The cash and investment balances in the monthly City Clerk's Report were reconciled to bank and investment account balances throughout the year. However, the reconciliations were not reviewed by an independent person.

Recommendation – An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

City of Dows

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

- (E) Local Option Sales Tax (LOST) – The City’s LOST receipts are credited to the General Fund and no documentation is maintained to support how the funds were used or the unspent balance held for the purposes specified in the LOST ballot.

Recommendation – The City should establish procedures to properly account for LOST receipts, disbursements and balances in accordance with the LOST ballot provisions.

- (F) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public works and business type activities functions 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (G) Annual Financial Report – The fiscal year 2015 Annual Financial Report (AFR) beginning balances for the governmental and proprietary activities did not agree to the prior year ending balances reported in the fiscal year 2014 AFR. In addition, although the ending AFR balances agree to the monthly City Clerk’s report, individual receipt and disbursement line items do not agree with City records.

Recommendation – The City should ensure the current year AFR beginning balances agree with the prior year ending balances. The City should also develop procedures to ensure the AFR receipts and disbursements agree to City records.

- (H) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

- (I) Change Fund – The City maintains a change fund for which no authorization could be located.

Recommendation – The change fund should be formally authorized by the City Council and should be maintained on an imprest basis to provide additional control over the fund.

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

Recommendation – An independent person should review and approve journal entries. Approvals should be documented by signing or initialing and dating the journal entries.

City of Dows

Detailed Recommendations

For the period April 1, 2015 through March 31, 2016

- (K) Monthly City Clerk's Report – The Monthly City Clerk's Report presented to the City Council for approval does not include certificate of deposit and savings account activity.

Recommendation – The Monthly City Clerk's Report presented to the City Council should include certificate of deposit and savings account activity.

- (L) Deposits and Investments – The City's written investment policy refers to outdated sections of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which refers to and complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (M) Employee Benefits Fund – The Special Revenue, Employee Benefits Fund had a balance of approximately \$75,000 at March 31, 2016, more than double the amounts of Employee Benefit Levy collected in fiscal year 2016.

Recommendation – The City should consider lowering the Employee Benefits Levy in future years to reduce the excess balance in this fund.

- (N) Mosquito Fee – In accordance with City ordinance number 186, section 41.13, the City charges a \$1.25 mosquito fee as part of each monthly residential utility billing. While Chapter 384.84 of the Code of Iowa allows the City Council to establish and charge rates sufficient to pay the expenses of operating and maintaining a City utility, we are not aware of any statutory authority for the City to establish and charge a fee for mosquito control.

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

City of Dows

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Manager  
Chad C. Lynch, Staff Auditor  
Lucas P. Mullen, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director