



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

March 14, 2017

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Woolstock, Iowa for the period July 1, 2015 through June 30, 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, including independent review of reconciliations. The City should also establish procedures to reconcile utility billings, collections, and delinquent accounts for each billing period. In addition, the City should comply with Chapter 384.18 of the Code of Iowa by amending its 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 <https://auditor.iowa.gov/reports/1622-0955-EP0P>.

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CITY OF WOOLSTOCK
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016

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City of Woolstock

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Nelson Mathiesen	Mayor	Jan 2016	Jan 2018
Ginevra Letts	Council Member	Jan 2014	Jan 2018
Sandra Malaise	Council Member	Jan 2014	Jan 2018
Scott Meyers	Mayor Pro tem/Council Member	Jan 2016	Jan 2018
Robert Hisler	Council Member	Jan 2016	Jan 2020
Candis Jones	Council Member	Jan 2016	Jan 2020
Pam Gearhart	City Clerk		Indefinite
Shawna Hanus	Utility Clerk		Indefinite
Gary Groves	Attorney		Indefinite

City of Woolstock



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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 Woolstock for the period July 1, 2015 through June 30, 2016. The City of Woolstock'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 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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 Woolstock, 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 Woolstock and other parties to whom the City of Woolstock 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 Woolstock 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

August 10, 2016

Detailed Recommendations

City of Woolstock

Detailed Recommendations

For the period July 1, 2015 through June 30, 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 with no compensating controls:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Investments - recordkeeping, investing and custody of investments.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (5) Disbursements – purchasing, invoice processing, check writing, signing, mailing, reconciling and recording.
- (6) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (7) Bank reconciliations – preparation and maintenance of accounting records.

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) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published in a newspaper within fifteen days of the meeting and include total disbursements from each fund. In cities with a population of 200 or less, minutes may be posted in three public places, permanently designated by ordinance. Minutes are posted at City Hall, the Community Hall, and the post office. An ordinance has not been established to designate these as allowable public places to post minutes. Minutes publications for four meetings tested did not include total disbursements from each fund.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of each meeting and include total disbursements by fund. The City should establish an ordinance to designate allowable public places to post minutes.

(C) 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.

Recommendation – The City should ensure the AFR beginning balances agree with the prior year ending balances.

(D) Bank Reconciliations – Although monthly bank reconciliations were prepared for individual bank accounts, a complete reconciliation including investments was not prepared. For two months reviewed, bank and book balances did not properly reconcile. Variances of \$28,418 and \$24,613 were not resolved. In both cases, the book balance was higher than the bank balance. In addition, bank reconciliations are not independently reviewed.

City of Woolstock

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (E) Deposits and Investments – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. In addition, an accounting register is not maintained for each investment.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required. In addition, an accounting register should be maintained for each investment which includes cost, description, date purchased, interest rate, maturity date and identifying number.

- (F) Monthly City Clerk’s Report – The monthly City Clerk’s report presented to the City Council for approval does not include beginning and ending balances for each fund. In addition, a comparison of total disbursements to the certified budget by function is not prepared.

Recommendation – The City Clerk should prepare a monthly City Clerk’s report which includes beginning and ending balances and comparisons of total disbursements by function to the certified budget.

- (G) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – 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.

- (H) Delinquent Fees – The City’s utility ordinance requires all utility customers be assessed a late payment fee if utility bills are not paid timely. For two of five items tested, the late payment fee was not applied.

Recommendation – The City should establish procedures to ensure late payment fees are assessed for utility bills not paid timely, as required by City ordinance.

- (I) Debit Card – The City has a debit card available for use by employees for City business.

Recommendation – The City Council should prohibit the use of debit cards for City purchases. Debit cards provide immediate access to the City’s funds. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no process for prior approval of purchases made with a debit card.

City of Woolstock

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (J) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the culture and recreation 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City of Woolstock

Staff

This engagement was performed by:

Jennifer L. Wall, CPA, Manager
Melissa A. Hastert, CPA, Staff Auditor
Libby C. Lamfers, Assistant Auditor


Marlys K. Gaston, CPA
Director