

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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

September 5, 2017

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Williamson, 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. The City should also establish procedures to ensure its accounting system is maintained in a format to facilitate fund accounting required for governmental accounting and financial reporting. In addition, the City should establish procedures to ensure bank reconciliations are prepared monthly and are independently reviewed and local option sales tax receipts, disbursements and balances are properly accounted for. To provide accountability and to support public purpose, all disbursements should be supported by invoice or other supporting documentation which is properly retained. In addition, separately maintained records should be included in the City's accounting records and be reported to the City Council monthly.

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/1622-0567-EPOP>.

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CITY OF WILLIAMSON
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 Williamson

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Kris Wilson	Mayor	Jan 2016	Jan 2020
Mike McCarty	Council Member	Jan 2014	Jan 2018
Jack Miller	Council Member	Jan 2014	Jan 2018
Jim Wessel	Council Member	Jan 2014	Jan 2018
Teresa Buckalew	Council Member	Jan 2016	Jan 2020
Dave Forst	Council Member	Jan 2016	Jan 2020
Brandy Wessel	City Clerk/Treasurer	May 2016	Indefinite

City of Williamson



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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 Williamson for the period July 1, 2015 through June 30, 2016. The City of Williamson'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 Williamson, 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 Williamson and other parties to whom the City of Williamson 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 Williamson 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

July 28, 2016

Detailed Recommendations

City of Williamson

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 for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – record keeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (4) Disbursements – purchasing, invoice processing, check writing and signing, mailing, recording and reconciling.
- (5) Payroll – preparing, recording and distributing.
- (6) Journal entries – preparing and recording.
- (7) Financial reporting – preparing 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) Financial Reporting – The City has not implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee. The City does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. Fund accounting is required as a means for the City to demonstrate compliance with legal requirements pertaining to the various funding sources of the City, including, but not limited to, road use tax and local option sales tax.

A monthly City Clerk's report, including receipts and disbursements is prepared, but does not report individual fund balances or transfers. In addition, the monthly City Clerk's reports do not include a comparison of total disbursements for all funds to the certified budget by function.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed. The City should review the current financial accounting system and establish procedures to require and ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting. The City Clerk should prepare a monthly City Clerk's report which includes receipts, disbursements, transfers and beginning and ending balances by fund. In addition, to provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City should establish procedures to ensure monthly City Clerk's reports include a comparison of total disbursements for all funds to the certified budget by function.

City of Williamson

Detailed Recommendations

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

- (C) Bank Reconciliations – Monthly bank reconciliation were not retained and, accordingly, there is no evidence the bank reconciliations were performed. Also, the City Clerk’s monthly financial reports exclude the City of Williamson Fire Department activity and report the City’s certificate of deposit at an incorrect amount. At August 31, 2015 and January 31, 2016, the City Clerk’s financial report balances were \$6,224 and \$5,455, respectively, lower than the bank balances on those dates. In addition, for the period reviewed, a list of outstanding checks was not prepared and retained each month, the City did not retain voided checks and unused checks were not safeguarded.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the City’s general ledger and the City Clerk’s financial reports monthly, including the Williamson Fire Department activity. Variances, if any, should be reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations. In addition, a listing of outstanding checks should be prepared each month and retained. Voided checks should be retained and unused checks should be stored in a secure location.

- (D) Local Option Sales Tax – The City’s Local Option Sales Tax (LOST) ballot requires LOST receipts be used 100% for city maintenance and improvements. The City has not properly tracked LOST disbursements and unspent balances to ensure compliance with the ballot requirements.

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

- (E) Supporting Documentation – Invoices and other supporting documentation were not maintained by the City to support disbursements.

Recommendation – To provide accountability and to support public purpose, all City disbursements should be supported by invoice or other supporting documentation which is properly retained.

- (F) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City did not receive an image of the back of each cancelled check for several bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

City of Williamson

Detailed Recommendations

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

- (G) Payroll – Timesheets are not required to be submitted for City employees. In addition, the City Clerk’s compensation approval was not included in the City Council meeting minutes. Also, the Mayor and City Council member compensation was not established and approved by ordinance as required by Chapter 372.13(8) of the Code of Iowa.

Recommendation – Timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Approved wages for employees should be adequately documented in the City Council minutes. Also, the City should establish and approve the compensation for the Mayor and City Council members by ordinance, as required.

- (H) City Council Meeting Minutes – Minutes of the City Council meetings were not signed as required by Chapter 380.7(4) of the Code of Iowa. Also, the minutes record did not show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa. In addition, minutes of the City Council meetings were not posted in three public places permanently designated by City ordinance as required by Chapter 362.3 of the Code of Iowa.

Recommendation – The City should ensure City Council meeting minutes are signed, show sufficient information to indicate the vote of each member present and are posted in three public places permanently designated by City ordinance, as required.

- (I) Official Depositories – A resolution naming official depositories and the maximum deposit amounts has not been adopted by the City as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a depository resolution which specifies the maximum amount that may be kept on deposit in each depository, as required.

- (J) Separately Maintained Records – The City of Williamson Fire Department maintains separate accounting records for their operations. The transactions and the resulting balances were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports. Also, invoices and other supporting documentation were not always available to support disbursements from this account.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis. Also, all disbursements should be supported by invoices or other supporting documentation.

City of Williamson

Detailed Recommendations

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

- (K) Questionable Disbursements – Certain Fire Department disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Waverly Volunteer Fire Association	Registration and camp sites for the annual Iowa Firefighter Association convention	\$ 520
Iowa Firefighters Association	Association dues	195
Cash withdrawal	Cash prizes for the annual Williams Volunteer Fire Department and EMS (cook-off) competition	840

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper public purpose documentation.

- (L) Ambulance Levy – The City receives proceeds of an ambulance levy from English Township. However, the City does not account for or track the use of these funds for the required purpose or include them in the City budget.

Recommendation – For better accountability, financial and budgetary control, the financial activity of the ambulance levy should be tracked separately and integrated with the Clerk’s accounting records and the City’s budget.

- (M) Debit Cards – The Williamson Fire Department has debit cards available for use by volunteers while on department business.

Recommendation – The City Council should prohibit the use of debit cards for City purchases, including purchases by the Fire Department. The function of a debit card is to 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.

- (N) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...” Receipts and disbursements reported in the City’s AFR were not supported by City records.

Recommendation – To provide better information and control, the City should ensure the AFR agrees with the City’s records.

City of Williamson

Detailed Recommendations

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

- (O) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

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

- (P) Prenumbered Receipts – Prenumbered receipts were not issued for all collections.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all receipts.

- (Q) Receipts and Deposits – Total deposits per the December 2015 bank statement did not reconcile to the total receipts per the City Clerk’s monthly financial report for December. The bank deposits were \$1,595 higher than the reported receipts.

Recommendation – The City should ensure total deposits per the monthly bank statements reconcile to total receipts per the City’s monthly financial records.

City of Williamson

Staff

This engagement was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Preston R. Grygiel, Assistant Auditor
Lucas P. Mullen, Assistant Auditor


Marlys K. Gaston, CPA
Director