



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

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

November 1, 2017

---

Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released a Report on the Status of Findings and Recommendations from the Grand Junction Municipal Utilities' Periodic Examination Report dated January 15, 2015. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period April 1, 2016 through March 31, 2017.

The Municipal Utilities Board has a fiduciary responsibility to provide oversight of the Utilities' operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the Utilities Board needs to exercise additional fiduciary oversight. While three of the eight findings reported in the Periodic Examination Report dated January 15, 2015 have been corrected, four are only partially corrected and one is repeated and reported as "not corrected." An additional finding identified during the follow-up procedures is also included in this report.

A copy of the Grand Junction Municipal Utilities Report on the Status of Periodic Examination Findings and Recommendations is available for review in the Municipal Utilities' Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1423-0005-EPPF>.

###



**GRAND JUNCTION MUNICIPAL UTILITIES**

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON THE STATUS OF PERIODIC EXAMINATION**  
**FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD**  
**APRIL 1, 2016 THROUGH MARCH 31, 2017**

## Table of Contents

|   | <u>Page</u>    |
|---|----------------|
| Officials   | 3              |
| Independent Accountant’s Report on the Status of Periodic Examination Findings and Recommendations        | 5              |
| Status of Findings and Recommendations Previously Reported in the Utilities’ Periodic Examination Report: |                |
|   | <u>Finding</u> |
| Segregation of Duties   | A 7            |
| Bank and Utility Reconciliations  | B 7            |
| Monthly Financial Reports   | C 8            |
| Disbursements   | D 8            |
| Payroll   | E 8            |
| Deposits and Investments  | F 8            |
| Board Minutes   | G 9            |
| Electronic Check Retention  | H 9            |
| Additional Finding Identified During Follow-up Procedures   |                |
| Debit Card  | I 9            |
| Staff   | 10             |

## Grand Junction Municipal Utilities

### Officials

| <u>Name</u>    | <u>Title</u>           | <u>Term<br/>Began</u> | <u>Term<br/>Expires</u> |
|----------------|------------------------|-----------------------|-------------------------|
| Mick Burkett   | President              | Jan 2014              | Jan 2020                |
| Kate Neese     | Board Member           | Jan 2012              | Jan 2018                |
| Melanie Frantz | Board Member           | Dec 2016              | Nov 2019                |
| Robert Kafer   | Board Member           | Jan 2016              | Jan 2022                |
| Jeff Thorpe    | Board Member/Secretary | Jan 2016              | Jan 2022                |

**Grand Junction Municipal Utilities**



**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

Independent Accountant's Report on the Status of Periodic  
Examination Findings and Recommendations

To the Members of the Grand Junction Municipal Utilities Board:

The Office of Auditor of State issued a Periodic Examination Report dated January 15, 2015 on the Grand Junction Municipal Utilities, Grand Junction, Iowa covering the period December 1, 2013 through November 30, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the Utilities' financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the Utilities' Periodic Examination Report date January 15, 2015 and the current status of the Utilities' implementation of the recommendations included in that report. It also includes an additional finding and recommendation for an issue identified during our follow-up procedures. This report covers the period April 1, 2016 through March 31, 2017.

The Utilities Board has a fiduciary responsibility to provide oversight of the Utilities' operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the Utilities Board needs to exercise additional fiduciary oversight.

Oversight by the Utilities Board is essential and should be an ongoing effort by all members. The Utilities Board should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

The purpose of this report is to report on the current status of the Utilities' implementation of the recommendations included in the Periodic Examination Report dated January 15, 2015. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Grand Junction Municipal Utilities during the course of our follow-up procedures. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Mary Mosiman*  
MARY MOSIMAN, CPA  
Auditor of State

October 4, 2017

**Report on the Status of Periodic Examination  
Findings and Recommendations**



Grand Junction Municipal Utilities

Report on the Status of Periodic Examination Findings and Recommendations

For the period April 1, 2016 through March 31, 2017

**Findings Reported in the Periodic Examination Report dated January 15, 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 Utilities:
- (1) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions, handling and recording cash and signing checks.
  - (2) Long-term debt – recording, reconciling and performing cash functions.
  - (3) Receipts – opening mail, collecting, depositing, reconciling, posting and maintaining accounts receivable records.
  - (4) Disbursements – purchasing, invoice processing, check writing and signing, mailing, reconciling and recording.
  - (5) Payroll – recordkeeping, preparing, check writing, signing and distributing.
  - (6) Compensated absences – not reviewed by an independent person.
  - (7) Journal entries – preparing and journalizing with no review by an independent person.

In addition, an independent person does not enter utility or payroll rates in the computer system.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Utilities should review its control procedures to obtain the maximum internal control possible under the circumstances. The Utilities should utilize current personnel and Utilities Board officials to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

**Current Status – Partially corrected. During the period reviewed, vacation, sick leave and compensation time records were reviewed by a Board member who is independent of compensated absences record keeping. The recommendation is repeated for all other items (1) through (5) and item (7).**

- (B) Bank and Utility Reconciliations – The cash balances in the Utilities' general ledger were reconciled to bank account balances monthly and the Utilities performs reconciliations of utility billings to collections and delinquent accounts. However, the reconciliations are not reviewed and approved by an independent person. In addition, one employee of the Utilities had a delinquent balance at November 30, 2014.

Recommendation – To improve financial accountability and control, reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review. The Utilities Board should also monitor delinquent accounts.

**Current Status – Not corrected. Also, at March 31, 2017, two Board members had delinquent utility balances. The recommendation is repeated.**

Grand Junction Municipal Utilities

Report on the Status of Periodic Examination Findings and Recommendations

For the period April 1, 2016 through March 31, 2017

- (C) Monthly Financial Reports – The monthly financial reports provided to the Utilities Board do not include a comparison of actual disbursements to budgeted disbursements. In addition, the financial report does not include the balance of the Utilities’ savings account. The savings account balance was \$857 at November 30, 2014.

Recommendation – To improve financial accountability and control, monthly financial reports provided to the Utilities Board should include a comparison of actual disbursements to budgeted disbursements and include the savings account balance.

**Current Status – Partially corrected. During the period reviewed, the monthly financial reports included a comparison of actual disbursements to budgeted disbursements, but did not include the activity of the Utilities’ savings account. As of March 31, 2017, the savings account balance was \$1,888. The recommendation is partially repeated.**

- (D) Disbursements – Invoices or other supporting documentation did not contain evidence of approval by an independent individual. The Utilities Board does not receive a list of disbursements for approval until after checks have been issued. In addition, unused checks were not properly safeguarded.

Recommendation – An independent individual should review disbursements and document evidence of approval on invoices or other supporting documentation prior to the issuance of checks. The Board should be provided a list of disbursements for approval prior to the checks being issued. Unused checks should be adequately controlled and safeguarded.

**Current Status – Corrected. On March 16, 2015, the Utilities Board approved a Payment Pre-Approval Policy to allow for payment of certain disbursements in advance of Board approval. The policy requires the Board to review and allow the claims at its next Board meeting following the pre-approval. Also, during the period reviewed, unused checks were adequately safeguarded.**

- (E) Payroll – Timecards are not approved by an authorized individual. Approval of employee pay rates could not be located in the minutes.

Recommendation – Timecards should be reviewed and approved by an authorized individual. The timecards should be signed to document the review and approval. Employee pay rates should be periodically reviewed and approved and the approval should be documented in the Board minutes.

**Current Status – Partially corrected. Timecards are approved by an authorized individual, as evidenced by the superintendent’s initials. However, the superintendent also reviews and approves his own timecard. In addition, meeting minutes did not document Board approval of the employee contract for a water operator. The recommendation is partially repeated.**

- (F) Deposits and Investments – A resolution naming official depositories has not been adopted by the Utilities Board as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The Board, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

**Current Status – Corrected. On March 16, 2015, the Board adopted a depository resolution in compliance with Chapter 12C.2 of the Code of Iowa.**

Grand Junction Municipal Utilities

Report on the Status of Periodic Examination Findings and Recommendations

For the period April 1, 2016 through March 31, 2017

- (G) Board Minutes – Chapter 388.4 of the Code of Iowa requires minutes of all City Utility Board proceedings be published immediately following the meeting. The publication must include a list of claims allowed, including the payee, the reason for the claim and the amount of the claim. The Utilities does not publish the required information.

Recommendation – The Utilities should comply with the publication requirements of Chapter 388.4 of the Code of Iowa.

**Current Status – Partially corrected. As of March 31, 2017, all meeting minutes are published by receipt and disbursement category. However, during the period reviewed, the publications of claims allowed did not show the name of the person or firm making the claim or the amount of the claim as required by Chapter 388.4 of the Code of Iowa. The recommendation is partially repeated.**

- (H) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the Utilities 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 Utilities does not receive an image of the back of each cancelled check for their bank accounts.

Recommendation – The Utilities 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.

**Current Status – Corrected. During the period reviewed, the Utilities obtained images of both the front and back of cancelled checks, as required.**

**Additional Finding as a result of Follow-up Procedures:**

- (I) Debit Card – The Utilities has a debit card available for use by employees while performing Utility business.

Recommendation – The Utilities Board should prohibit the use of debit cards for utility purchases. The function of a debit card is to provide immediate access to the Utilities' 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.

Grand Junction Municipal Utilities

Staff

This engagement was performed by:

Suzanne R. Dahlstrom CPA, Manager  
Eileen D. Loomis, Staff Auditor

  
Marlys K. Gaston, CPA  
Director