



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

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**NEWS RELEASE**

FOR RELEASE

December 1, 2017

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released a Report on the Status of Findings and Recommendations on the City of Galt's Periodic Examination Report dated January 14, 2015. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period December 1, 2015 through August 31, 2016.

The City Council has a fiduciary responsibility to provide oversight of the City's 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 City Council needs to exercise additional fiduciary oversight. All twelve findings reported in the Periodic Examination Report dated January 14, 2015 are repeated in this report and are reported as "not corrected".

A copy of the City of Galt's Report on the Status of Findings and Recommendations 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/1422-0952-EPFP>.

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**CITY OF GALT**

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

**FOR THE PERIOD  
DECEMBER 1, 2015 THROUGH AUGUST 31, 2016**

## 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 City’s Periodic Examination Report:	<u>Finding</u>	
Segregation of Duties	A	7
Bank Reconciliations	B	7
Accounting Records and Financial Information	C	7-8
Annual Financial Report	D	8
Reconciliation of Utility Billings, Collections and Delinquent Accounts	E	8
Disbursements	F	8
City Council Meeting Minutes	G	9
Prenumbered Receipts	H	9
Payroll Approval	I	9
Mayor/Council Member Compensation	J	9
Accounting Policies and Procedures Manual	K	10
Electronic Check Retention	L	10
Staff		11

**City of Galt**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Robert Miller	Mayor	Jan 2016	Jan 2018
Steve Chambers	Council Member	Jan 2016	Jan 2018
John Leist	Council Member	Jan 2016	Jan 2018
Anthony Miller	Council Member	Jan 2016	Jan 2018
Deanna Miller	Council Member	Jan 2016	Jan 2018
Josh Weis	Council Member	Jan 2016	Jan 2018
Vicki Waters	City Clerk/Treasurer		Indefinite
Richard Boardwell	Attorney		Indefinite

**City of Galt**



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

To the Honorable Mayor and Members of the City Council:

The Office of Auditor of State issued a Periodic Examination Report dated January 14, 2015 on the City of Galt, Iowa covering the period August 1, 2013 through July 31, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.


This report includes the findings and recommendations from the City's Periodic Examination Report dated January 14, 2015 and the current status of the City's implementation of the recommendations included in that report. It also includes additional findings and recommendations for other issues identified during our follow-up procedures. This report covers the period December 1, 2015 to August 31, 2016.

The City Council has a fiduciary responsibility to provide oversight of the City's 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 City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council 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 City's implementation of the recommendations included in the Periodic Examination Report dated January 14, 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 City of Galt 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, CPA  
Auditor of State

June 1, 2017

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



City of Galt

Report on the Status of Periodic Examination Findings and Recommendations

For the period December 1, 2015 through August 31, 2016

**Findings Reported in the Periodic Examination Report dated January 14, 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, reconciling and recording.
  - (2) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
  - (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
  - (4) Utilities – billing, collecting, depositing, posting and entering rates into the system and maintaining detailed accounts receivable and write-off records.
  - (5) Payroll – record keeping, preparing, signing and distributing.
  - (6) Financial Reporting – preparing and reconciling.
  - (7) Accounting system – performing all general accounting functions and having custody of assets.

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.

**Current Status – Not corrected. The recommendation is repeated.**

- (B) Bank Reconciliations – Bank and investment account balances were not reconciled to book balances monthly.

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

**Current Status – Not corrected. During our follow-up procedures we observed individual bank accounts were reconciled to the check register, however, there is no evidence bank and investment accounts are reconciled to the general ledger or independently reviewed. The recommendation is repeated.**

- (C) Accounting Records and Financial Information – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee. The City Clerk's financial reports to the City Council do not include comparisons to the certified budget by function. In addition, year-to-date totals of receipts by fund and source and disbursements by fund and function are not maintained to facilitate the preparation of and support for the Annual Financial Report (AFR).

City of Galt

Report on the Status of Periodic Examination Findings and Recommendations

For the period December 1, 2015 through August 31, 2016

Recommendation – To provide better financial information and control over budgeted disbursements, the recommended COA, or its equivalent, should be followed, including proper classification of disbursements by function. Year-to-date totals of receipts by fund and source and of disbursements by fund and function should be maintained to facilitate the preparation of and support for the AFR. Monthly financial reports provided to the City Council should include comparisons of disbursements to budgeted disbursements by function.

**Current Status – Not corrected. The recommendation is repeated.**

- (D) 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...” The receipts, disbursements and fund balances included in the City’s Annual Financial Report do not agree with the City’s records. We were unable to determine the accuracy of disbursements reported on the AFR as the City’s financial records do not classify disbursements by function and information supporting the amounts reported was not retained.

Recommendation – The City should ensure receipts, disbursements and fund balances included in future Annual Financial Reports agree with the City’s records.

**Current Status – Not corrected. The receipts, disbursements and fund balances reported in the fiscal year 2015 AFR were not support by the City’s records. The recommendation is repeated.**

- (E) 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 have an independent person 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; document the review by signing or initialing and dating the reconciliation and monitor delinquent accounts.

**Current Status – Not corrected. The recommendation is repeated.**

- (F) Disbursements – Certain disbursements were not approved by the City Council.

Recommendation – All Disbursements should be approved by the City Council.

**Current Status – Not corrected. For the disbursements tested during the period reviewed, the City Council minutes noted “council agreed and accepted the bills to be paid”. However, the minutes did not include a listing of the bills to be paid or a total amount paid which agreed to a separate bills listing. The recommendation is repeated.**

City of Galt

Report on the Status of Periodic Examination Findings and Recommendations

For the period December 1, 2015 through August 31, 2016

- (G) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting, including a list of claims, total disbursements from each fund and a summary of receipts by fund. Minutes for five meetings tested were not published within fifteen days. Minutes publications did not include a list of claims, total disbursements from each fund or summary of receipts.

Recommendation – The City should comply with the Code of Iowa and publish minutes within fifteen days, as required. The published minutes should include a list of claims, total disbursements from each fund and a summary of receipts by fund.

**Current Status – Not corrected. Chapter 372.13(6) of the Code of Iowa requires minutes in cities with a population less than two hundred to be posted “in three public places in the city which have been permanently designated by ordinance”. City Council meeting minutes are posted in a lock box outside the Fire Station. However, the City Council has not permanently designated three locations for posting of minutes, as required. In addition, the minutes postings did not include a list of claims, total disbursements from each fund and a summary of receipts by fund, as required. The recommendation is repeated.**

- (H) Prenumbered Receipts – Prenumbered receipts were not issued for all collections and an initial listing of collections was not prepared.

Recommendation – Prenumbered receipts should be issued for all collections and an initial listing of collections should be prepared. The initial listing should be compared to the bank deposit and the accounting records by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

**Current Status – Not corrected. The recommendation is repeated.**

- (I) Payroll Approval – The approved salary and subsequent wage rate increases for the City Clerk and Maintenance Supervisor were not included in the City Council meeting minutes.

Recommendation – Approved salaries and wage rates for employees should be documented in the City Council meeting minutes.

**Current Status – Not corrected. The recommendation is repeated.**

- (J) Mayor/Council Member Compensation – Mayor and Council Member compensation was not approved by ordinance as required by Chapter 372.13(8) of the Code of Iowa.

Recommendation – The City should approve the compensation of the Mayor and Council Members by ordinance, as required.

**Current Status – Not corrected. The recommendation is repeated.**

City of Galt

Report on the Status of Periodic Examination Findings and Recommendations

For the period December 1, 2015 through August 31, 2016

- (K) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

**Current Status – Not corrected. The recommendation is repeated.**

- (L) 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 does not receive an image of the back of each cancelled check.

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

**Current Status – Not corrected. The recommendation is repeated.**

City of Galt

Staff

This engagement was performed by:

Michelle B. Meyer, CPA, Manager  
Joshua W. Ostrander, Senior Auditor

  
Marlys K. Gaston, CPA  
Director