



**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

December 14, 2017

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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 Vail, Iowa for the period April 1, 2016 through March 31, 2017. 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 an independent review of reconciliations. In addition, the City should prepare monthly bank reconciliations for all City accounts, utility reconciliations and monthly City Clerk reports.

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/1622-0226-EP0P>.

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**CITY OF VAIL**

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

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

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**City of Vail**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Stanley Meyer	Mayor	Jan 2016	Jan 2018
Dean Nelson	Mayor Pro Tem	Jan 2014	Jan 2018
Jason Blunk	Council Member	Jan 2014	Jan 2018
Galen Dirks (Appointed)	Council Member	Mar 2017	Nov 2017
Kurt Brungardt	Council Member	Jan 2016	Jan 2020
Carol Smith	Council Member	Jan 2016	Jan 2020
Jennifer Reiter	City Clerk		Indefinite
Allen Neper	Attorney		Indefinite

**City of Vail**



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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 Vail for the April 1, 2016 through March 31, 2017. The City of Vail'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 2016 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 Vail, 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 Vail and other parties to whom the City of Vail 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 Vail 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

April 12, 2017



## **Detailed Recommendations**

City of Vail

Detailed Recommendations

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

(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 – recordkeeping, investing, custody of investments and recording earnings.
- (3) Long-term debt – debt payment processing, compliance and recording.
- (4) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
- (7) Utilities – billing, collecting, depositing, posting and entering rates into the system.
- (8) 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) Bank Reconciliations – Although monthly bank reconciliations were prepared, they were not prepared for all bank and investment accounts held by the City. In addition, the City's balance sheet reports for July 31, 2016 and December 31, 2016 include \$4,310 and \$3,101, respectively, of "undeposited cash on hand" which are not attributable to a specific fund and are not included in the reconciled balances. These amounts were not supported by City records and we were unable to determine the validity of the amounts, including whether the amounts are part of the City's general ledger (book) balance. Also, the bank reconciliations are not independently reviewed.

Recommendation – The City should establish procedures to ensure all bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. The amounts reported on the City's balance sheets as "undeposited cash on hand" should be investigated and properly supported. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(C) 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.

City of Vail

Detailed Recommendations

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

- (D) Monthly City Clerk's Reports – After July 2016, monthly City Clerk's reports were not prepared and submitted to the City Council for their review and approval.

Recommendation – A monthly City Clerk's report should be prepared and submitted to the City Council for their review and approval. The reports should include a summary of beginning balances, receipts, disbursements, transfers and ending balances by fund and comparison of total disbursements for all funds to the certified budget by function.

- (E) 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 summary of receipts and total disbursements by fund. Also, Chapter 21.3 of the Code of Iowa requires each governmental body to keep minutes of all its meetings. Minutes for one meeting tested were not published within fifteen days and, one of four meeting publications tested did not include total disbursements by fund or a summary of receipts, as required. Also, minutes for the December 2016 and January 2017 meetings were not prepared. In addition, meeting minutes were not signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, including total disbursements by fund and a summary of receipts. City Council meeting minutes should be prepared and published for all City Council meetings. All meeting minutes should be signed to authenticate the action taken.

- (F) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the culture and recreation and community and economic development functions prior to the budget amendment. In addition, disbursements at year end exceeded the amount budgeted in the debt service function. 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) Financial Condition – At June 30, 2016, the City had a deficit balance of \$9,855 in the Capital Projects Fund.

Recommendation – The City should investigate alternatives to eliminate deficit to return the fund to a sound financial condition.

- (H) Payroll – Although time cards are maintained for employees, the time cards were not reviewed and approved by supervisory personnel and employees do not sign their time cards. In addition, the approved wages of employees was not documented in the City Council minutes.

Recommendation – Time cards should include the employee's signature and should be reviewed and approved by appropriate supervisory personnel prior to the preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of review. Approved wages should be documented in the City Council minutes.

City of Vail

Detailed Recommendations

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

- (I) Bank Transfer – In September 2016, the City Council approved the closing of certain savings accounts. As of March 31, 2017, these savings accounts have not been closed.

Recommendation – The City Clerk should close the bank accounts and transfer the balances to another City account, as directed by the City Council.

- (J) 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, as required.

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

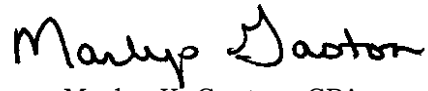
Recommendation – The change fund should be set at an established amount formally authorized by the City Council.

City of Vail

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager  
Cole L. Hocker, Staff Auditor  
Alex D. Dau, Assistant Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA  
Director