



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

August 22, 2018

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Lincoln, Iowa for the period January 1, 2017 through December 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 and ensure all City accounts are included in the City's accounting records and 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://www.auditor.iowa.gov/reports/audit-reports/>.

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**CITY OF LINCOLN
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JANUARY 1, 2017 THROUGH DECEMBER 31, 2017**

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City of Lincoln

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
H. Trent Wentzien	Mayor	Jan 2016	Jan 2018
Michelle Clark	Council Member	Jan 2016	Jan 2018
John Eilers	Council Member	Jan 2016	Jan 2018
Richard Ellis	Council Member	Jan 2016	Jan 2018
Eric Moore	Council Member	Jan 2016	Jan 2018
Vance Sebbert	Council Member	Jan 2016	Jan 2018
Deb Wentzien	City Clerk/Treasurer		Indefinite

City of Lincoln



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Independent Accountant's Report on Applying Agreed-Up 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 Lincoln for the period January 1, 2017 through December 31, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Lincoln's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and 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 2017 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 transfers between funds for propriety, proper authorization and accurate accounting.
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.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. 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 Lincoln 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 1, 2018

Detailed Recommendations

City of Lincoln

Detailed Recommendations

For the period January 1, 2017 through December 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, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, and reconciling.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – Entering rates into the ledgers, recordkeeping, preparing and distributing.
- (6) Financial reporting – preparing and reconciling.

For the City Fire Department, one individual has control over each of the following areas:

- (1) Cash – handling and reconciling.
- (2) Receipts – collecting, depositing and reconciling.
- (3) Disbursements – purchasing, invoice processing, check writing, check signing, mailing and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City and Fire Department should review their 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 – Fire Department bank reconciliations are not independently reviewed.

Recommendation – To improve financial accountability and control, monthly bank 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.

(C) Financial Reporting – We identified \$1,620 of receipts and disbursements which were not recorded in the City’s general ledger. The City was a pass through entity between Heartland Coop and the Tama County Engineer for the construction of a culvert.

Recommendation – The City should implement procedures to ensure all receipts and disbursements are properly recorded in the City’s AFR and general ledger.

(D) Monthly City Clerk’s Report – The monthly City Clerk’s reports to the City Council did not include comparisons of actual disbursements to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the monthly City Clerk’s reports should include comparisons of actual disbursements to the certified budget by function.

City of Lincoln

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

- (E) Transfers – Transfers between funds were not approved by the City Council prior to the transfer.

Recommendation – The City Council should approve all transfers prior to the transfer and document the approval and transfer amount in the minutes.

- (F) Separately Maintained Records – The Fire Department maintains bank accounts for activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s budget, monthly financial reports or Annual Financial Report

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.

- (G) Fire Department Disbursements – One of five Fire Department disbursements tested was not properly supported.

Recommendation – All disbursements should be supported by invoice or other supporting documentation.

- (H) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires the publication of the minutes of all City Council proceedings include total disbursements for each fund, a list of all claims allowed and a summary of receipts. The publication for four meetings tested did not include total disbursements by fund. Also, Fire Department bills were not approved by the City Council and were not included in the list of published claims. In addition, a summary of Fire Department receipts was not published.

Recommendation – The City should comply with the Code of Iowa and publish City Council meeting minutes, including total disbursements by fund. The City Council should approve all claims, including Fire Department claims. The City should ensure all claims and the summary of receipts, including Fire Department claims and receipts, are published, as required.

- (I) Restrictive Endorsement – Checks were not restrictively endorsed immediately upon receipt by the City or the Fire Department.

Recommendation – To safeguard collections, checks should be restrictively endorsed immediately upon receipt.

- (J) Prenumbered Receipts – Prenumbered receipts were not issued for all collections by the City or the Fire Department.

Recommendation – Prenumbered receipts should be issued for all collections. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

City of Lincoln

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

- (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. These disbursements are detailed as followed:

Paid to	Purpose	Amount
Firefighters Miracle Burn Camp Fund	Donation	\$3,000

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 documentation.

- (L) Fire Department Debit Card – The City’s Fire Department has a debit card available for use by the Fire Chief while on department business.

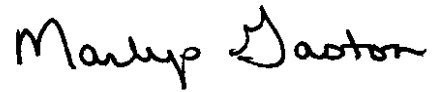
Recommendation – The City Council should prohibit the use of debit cards for City purchases, including purchases by the Fire Department. The function of a debit card is to provide immediate access to the City’s funds. Unlike credit cards, debit cards offer limited ability to set guidelines for access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

City of Lincoln

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Manager
Luke M. Bormann, CPA, Staff 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