



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

February 22, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Casey, Iowa for the period July 1, 2017 through June 30, 2018. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand recommended the City review its control procedures to obtain the maximum internal control possible, including independent review of reconciliations. The City should also ensure the financial activity and balances of the City of Casey Fire Department and Library are included in the City's accounting records.

A copy of the agreed-upon procedures report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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CITY OF CASEY
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2017 THROUGH JUNE 30, 2018

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City of Casey

Officials

(Before January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barry Chalfant	Mayor	Jan 2020
Robb Sneller	Council Member	Jan 2018
Stacy Maas-Wagner (Appointed Apr 2016)	Council Member	Nov 2017
Nick Lindberg	Council Member	Jan 2020
Travis Petersen	Council Member	Jan 2020
Bret Wedemeyer	Council Member	Jan 2020
Michelle King	City Clerk	Indefinite
Laurie Stewart	Attorney	(Resigned Nov 2017)
Clint Fichter (Appointed Nov 2017)	Attorney	Indefinite

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Barry Chalfant	Mayor	Jan 2020
Nick Lindberg	Council Member	Jan 2020
Travis Petersen	Council Member	Jan 2020
Bret Wedemeyer	Council Member	Jan 2020
Stacy Mass-Wagner	Council Member	Jan 2022
Rick Richter	Council Member	Jan 2022
Michelle King	City Clerk	Indefinite
Clint Fichter	Attorney	Indefinite

City of Casey



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Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Casey for the period July 1, 2017 through June 30, 2018, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Casey'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 2018 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 bonds 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.

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 Casey 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.



ROB SAND
Auditor of State

January 25, 2019

Detailed Recommendations

City of Casey

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

- (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. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements. Generally, one individual has control over each of the following areas for the City:
- (1) Cash – collecting, posting, reconciling, deposit preparation and depositing.
 - (2) Investments – custody of investments and reconciling earnings.
 - (3) Receipts – opening mail, collecting, deposit preparation, depositing, recording, reconciling and posting.
 - (4) Utilities – billing, collecting, posting, deposit preparation, depositing, preparing delinquent account listings and entering rates into system.
 - (5) Disbursements – check preparation, signing, posting and distribution.
 - (6) Payroll – check preparation, posting, distribution and entering rates into system.
 - (7) Debt – recordkeeping, compliance and debt payment processing.

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) Separately Maintained Records – 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, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The City Fire Department and the City Library maintain bank accounts for activity separate from the City Clerk’s accounting records. While these Departments are part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account’s receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Fire and Library Department separate accounts should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

City of Casey

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

- (C) City Fire Department – All accounting functions are handled by one individual without adequate compensating controls. In addition, pre-numbered receipts are not issued and paid invoices or other supporting documentation are not properly canceled. Bank reconciliations are not reviewed by an independent person.

In addition, invoices or other supporting documentation were not available for 35 transactions tested.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Fire Department should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available City 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.

In addition, monthly bank reconciliations should be reviewed by an independent person, pre-numbered receipts should be issued for all collections, paid invoices or other supporting documentation should be retained and invoices should be cancelled to prevent reuse.

- (D) City Library – All accounting functions are handled by one individual without adequate compensating controls. In addition, pre-numbered receipts are not issued and paid invoices or other supporting documentation are not properly canceled. Monthly bank reconciliations are not prepared.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the Library should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available City 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.

In addition, monthly bank reconciliations should be prepared and reviewed by an independent person, pre-numbered receipts should be issued for all collections, paid invoices or other supporting documentation should be retained and invoices should be cancelled to prevent reuse.

- (E) Bank Reconciliations – The cash and investment balances in the City's general ledger were reconciled to bank and investment account balances throughout the year. However, the bank reconciliations were not independently reviewed for five months of the fiscal year.

Recommendation – An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (F) Reconciliation of Utility Billings, Collections and Delinquent Accounts – While utility billings, collections and delinquent accounts were reconciled monthly, there was no evidence of an independent review of the utility reconciliations for eight months of the fiscal year.

City of Casey

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

Recommendation – The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts each month. Reviews should be documented by the signature or initials of the reviewer and date of the review.

- (G) 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 which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (H) 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. Minutes for three meetings tested were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required.

- (I) Payroll – Although timesheets were prepared for all employees, timesheets did not always include evidence of supervisory review.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll.

- (J) 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 Fire Department and the Library do not receive an image of the back of each cancelled check for each bank account.

Recommendation – The Fire Department and the Library 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.

- (K) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public safety, general government, debt service and business type activities functions prior to the budget amendment. 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.”

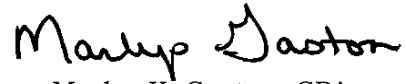
Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

City of Casey

Staff

This engagement was performed by:

Jennifer L. Wall, CPA, Manager
Alex N. Kawamura, CPA, Senior Auditor
Noelle M. Luebbbers, Assistant Auditor



Marlys K. Gaston, CPA
Deputy Auditor of State