



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE

June 26, 2019

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Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Sheffield, 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. The City should also establish procedures to ensure proper monthly book to bank reconciliations are prepared and utility billings, collections and delinquent accounts are reconciled for each billing period. In addition, the City should comply with the budget amendment requirements of Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

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 SHEFFIELD**

**AUDITOR OF STATE'S INDEPENDENT REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
JULY 1, 2017 THROUGH JUNE 30, 2018**

**City of Sheffield**



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Rob Sand  
Auditor of State

June 11, 2019

Officials of the City of Sheffield  
Sheffield, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the agreed-upon procedures report for the City of Sheffield, Iowa, for the year ended June 30, 2018. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and 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.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Sheffield throughout the agreed-upon procedures engagement. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

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**City of Sheffield**

**Officials**

**(Before January 2018)**

| <u>Name</u>     | <u>Title</u>         | <u>Term Expires</u> |
|-----------------|----------------------|---------------------|
| Nick Wilson     | Mayor                | Jan 2018            |
| JC McCaslin     | Council Member       | Jan 2018            |
| Mike McKee      | Council Member       | Jan 2018            |
| James Robbins   | Council Member       | Nov 2017            |
| Jim Hegarty     | Council Member       | Jan 2020            |
| Brad Mulford    | Council Member       | Jan 2020            |
| Katy Flint      | City Clerk/Treasurer | Indefinite          |
| Megan Rosenberg | Attorney             | Indefinite          |

**(After January 2018)**

| <u>Name</u>      | <u>Title</u>         | <u>Term Expires</u> |
|------------------|----------------------|---------------------|
| Scott Sanders    | Mayor                | Jan 2020            |
| Jim Hegarty      | Council Member       | Jan 2020            |
| Brad Mulford     | Council Member       | Jan 2020            |
| Dave Smit        | Council Member       | Jan 2020            |
| James Robbins    | Council Member       | Jan 2022            |
| Nick Wilson      | Council Member       | Jan 2022            |
| Katy Flint       | City Clerk/Treasurer | Indefinite          |
| Johnathon Murphy | Attorney             | Indefinite          |

**City of Sheffield**



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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 Sheffield 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 Sheffield'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.



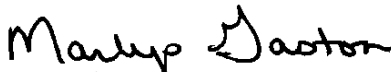
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed 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 transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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 Sheffield 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.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

June 11, 2019

## **Detailed Recommendations**

City of Sheffield

Detailed Recommendations

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

- (A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. 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 – handling, reconciling and recording.
  - (2) Investments – recording, reconciling and custody.
  - (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
  - (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
  - (5) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
  - (6) Utilities – entering rates into the system, billing, collecting, depositing and posting.
  - (7) Debt – recording and compliance.
  - (8) Journal entries – preparing and recording.
  - (9) Accounting System – performing all general accounting functions, controlling all data input and output 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.

- (B) 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, for the two months reviewed, the bank and book balances did not properly reconcile. At November 30, 2017 and June 30, 2018, the City’s general ledger exceeded the bank and investment account balances by \$46 and \$12.

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

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – While the City attempted to reconcile utility billings, collections and delinquent accounts monthly, differences were not always investigated and resolved in a timely manner. For one month reviewed, March 2018, there was an unexplained variance of \$150. There is no evidence of independent review of the utility reconciliations.

City of Sheffield

Detailed Recommendations

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

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to resolve variances, if any, timely. 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.

- (D) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the community and economic development and capital projects functions prior to the budget amendment. Disbursements at year end exceeded the amounts budgeted in the community and economic development 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.

- (E) Petty Cash – Petty cash funds on hand with the City are not maintained on an imprest basis. In addition, these funds are not independently counted on a regular basis.

Recommendation – Petty cash funds should be maintained on an imprest basis to provide additional control over these funds. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits. The petty cash accounts should be independently counted on a regular basis.

- (F) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. The approval should be documented by signing or initialing and dating the journal entries.

- (G) 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 to the city, and all expenditures...” At June 30, 2018, the City’s AFR included disbursements and ending fund balances that did not agree to the City’s records.

Recommendation – The City should establish procedures to ensure future Annual Financial Reports agree to the City’s records.

City of Sheffield

Staff

This engagement was performed by:

Marlys K. Gaston, CPA, Deputy  
Jesse J. Harthan, Senior Auditor II  
Emma L. McGrane, Senior Auditor  
Nicholas J. Rustin, Staff Auditor