



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____ June 26, 2006

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an agreed upon procedures report on the City of Oakland, Iowa for the period July 1, 2005 through February 28, 2006. The agreed upon procedures were performed at the request of the City Council.

Vaudt recommended the City establish segregation of duties, include the Ambulance Service in the City's accounting records and document the public purpose served for disbursements. Vaudt also recommended the City withhold payroll taxes for Ambulance Service employees, reconcile the number of ambulance transports to billings and approve write-offs. The City's responses are included in the report.

A copy of the report is available for review at the City of Oakland's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF OAKLAND

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

**FOR THE PERIOD
JULY 1, 2005 THROUGH FEBRUARY 28, 2006**

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City of Oakland

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Gayle Perkins	Mayor	Jan 2006
Cindy Freemyer	Council Member	Jan 2006
Pat Newberg	Council Member	Jan 2006
Jonathan Showalter	Council Member	Jan 2006
Debbie Rollins	Council Member	Jan 2008
Tim White	Council Member	Jan 2008
(After January 2006)		
Gayle Perkins	Mayor	Jan 2010
Debbie Rollins	Council Member	Jan 2008
Tim White	Council Member	Jan 2008
Terry Gleaves	Council Member	Jan 2010
Betsy Moniz	Council Member	Jan 2010
Pat Newberg	Council Member	Jan 2010
Sabrina Johnson	Clerk	Indefinite
Richard Merkle	Treasurer	Indefinite
Richard Henninger	Attorney	Indefinite

City of Oakland



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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 following procedures, which were agreed to by the City of Oakland, solely to assist you in evaluating the operations of the Oakland Volunteer Firemen's Association (Firemen's Association) and the Oakland Ambulance Service (Ambulance Service) for the period July 1, 2005 to February 28, 2006. The City of Oakland's management is responsible for the Firemen's Association and the Ambulance Service. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this 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 were as follows:

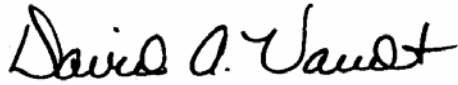
1. Summarized the cash receipts, disbursements and balances for the Firemen's Association and the Ambulance Service.
2. Reviewed certain receipts and disbursements for the Firemen's Association and the Ambulance Service for propriety.
3. Reviewed bank reconciliations for the Firemen's Association and the Ambulance Service for propriety.
4. Reviewed minutes of the Firemen's Association and the Ambulance Service for propriety.

Based on the performance of the procedures described above, we noted certain instances of non-compliance with the Code of Iowa. Also, we identified various recommendations for the City. Our recommendations and the instances of non-compliance are described in the Detailed Recommendations of this report. Unless reported in the Detailed Recommendations, no other items of non-compliance were noted during the performance of the specific procedures listed above.

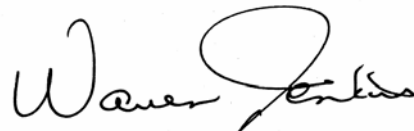
We were not engaged to and did not conduct an audit of the operations of the Oakland Volunteer Firemen's Association and the Oakland Ambulance Service, the objective of which would be the expression of an opinion on the financial statements of the Oakland Volunteer Firemen's Association and the Oakland Ambulance Service. Accordingly, we do not express such an opinion. Had we performed additional procedures, or had we performed an audit of financial statements of the Firemen's Association and the Ambulance Service, other 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 Oakland and other parties to whom the City of Oakland 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 assistance extended to us by personnel of the City of Oakland. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 27, 2006

Detailed Recommendations

City of Oakland

Detailed Recommendations

July 1, 2005 through February 28, 2006

- (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. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas for the Firemen’s Association and the Ambulance Service:
- (1) Accounting system – performing all general accounting functions and having custody of assets.
 - (2) Cash – preparing bank account reconciliations, initiating cash receipts and disbursement transactions and handling and recording cash.
 - (3) Investments – purchasing, recording, accounting for interest and redemption.
 - (4) Receipts – collecting, depositing, journalizing and posting.
 - (5) Disbursements – purchasing, check signing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of various reviews should be indicated by initials of the independent reviewer.

Response – The City will be taking over the record keeping responsibilities for the Ambulance Service and segregation of duties will be improved. The Firemen’s Association will consider the recommendation to improve the Association’s segregation of duties.

Conclusion – Response accepted.

- (B) Separately Maintained Records – The Ambulance Service maintains separate accounting records. The financial transactions and resulting balances are not included in the City’s accounting records.

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 Council on a monthly basis.

Response – The City will be accounting for the Ambulance Service transactions and balances in the future.

Conclusion – Response accepted.

- (C) Questionable Disbursements – A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 was noted, as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
The Feedlot	Christmas party for ambulance service employees	\$ 422

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 Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – The City will not approve any disbursements that might be questionable in the future.

Conclusion – Response accepted.

- (D) Check Issued for Cash – The Ambulance Service paid two employees with a check issued for cash.

Recommendation – Checks should not be issued for cash. All checks should be made payable to the person providing the goods or services.

Response – The support for the check included a detailed account of the purpose of the disbursement. We will definitely discontinue issuing checks to cash.

Conclusion – Response accepted.

- (E) Payroll Taxes not Withheld or Paid – The Ambulance Service pays employees for each ambulance call. The employees did not have taxes withheld and payroll tax returns were not prepared and filed.

Recommendation – Ambulance Service employees should have FICA/Medicare, IPERS and, if applicable, federal and state income tax withheld from paychecks. The City should include these wages on the City’s payroll tax returns.

Response – We will consult with our tax experts to determine what needs to be done to correct this situation.

Conclusion – Response accepted.

- (F) Ambulance Billings – The Ambulance Service submits billing information for each transport made to an outside billing and collection company. The number of transports is not reconciled to billing information submitted by the Ambulance Service. Also, write-offs are not approved.

Recommendation – The Ambulance Service should reconcile the number of transports to billings and collections. Also, write-offs should be approved by the City Council.

Response – The Clerk will reconcile transports to billings and collections. Write-offs will be approved as part of the reconciliation process.

Conclusion – Response accepted.

- (G) Disbursements – The Firemen’s Association and Ambulance Service Boards did not approve all disbursements and certain disbursements were not supported by invoices or other documentation. Checks are not signed by an independent person. The Firemen’s Association and Ambulance Service do not receive copies of the back of electronically retained checks from the bank as required by Chapter 554D.114(5) of the Code of Iowa.

Recommendation – The Firemen’s Association and Ambulance Service Boards should approve each disbursement after reviewing supporting documentation. Checks should be signed by a person who did not prepare or approve the check. The Firemen’s Association and Ambulance Service should obtain from the bank electronic copies of the backs of checks in accordance with Chapter 554D.114(5) of the Code of Iowa.

Response – We will recommend the Boards’ document approval for all disbursements in the minutes. The City will take over financial responsibilities for the Ambulance Service and this will take care of check signing and copies of both sides of each check. We will also inform the Firemen’s Association of the need to improve disbursement controls.

Conclusion – Response accepted.

- (H) Prenumbered Receipts – The Firemen’s Association and Ambulance Service do not issue prenumbered receipts for all collections. Also, collections are not always deposited timely.

Recommendation – The Firemen’s Association and Ambulance Service should issue prenumbered receipts for all collections and should deposit collections timely.

Response – We will require prenumbered receipts for collections to show deposits are timely.

Conclusion – Response accepted.

- (I) Investments – The Ambulance Service does not maintain a register of investments.

Recommendation – The Ambulance Service should maintain an investment register for all investment transactions which include reference numbers, purchase and maturity dates, interest rates, purchasing fund and interest received on each investment.

Response – This will be resolved for the Ambulance Service when the City takes over book keeping responsibilities.

Conclusion – Response accepted.

- (J) Board Minutes – The Firemen’s Association and Ambulance Service hold Board meetings each month. The minutes of the meetings were difficult to read and did not contain approvals for all claims paid. Also, minutes for certain meetings were not available.

Recommendation – Minutes of each meeting should be legible and include all approvals for all claims paid. A complete record should be maintained for all meetings held.

Response – We will inform the Board to improve the minutes and make sure the record is complete. All claims approved by the Boards for payment will be included in the minutes.

Conclusion – Response accepted.

Schedule 1

City of Oakland

Summary of Cash Receipts, Disbursements
and Balances
Firemen's Association Fund

For the period July 1, 2005 to February 28, 2006

Receipts:		
Donations and fundraisers		\$ 15,013
Interest on investments		98
Total receipts		<u>15,111</u>
Disbursements:		
Operating supplies		8,499
Equipment		6,947
Dues		260
Total disbursements		<u>15,706</u>
Net change in cash balances		(595)
Cash balances beginning of period		<u>17,248</u>
Cash balances end of period		<u>\$ 16,653</u>

City of Oakland

Summary of Cash Receipts, Disbursements
and Balances
Ambulance Service Fund

For the period July 1, 2005 to February 28, 2006

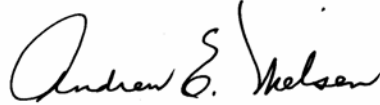
Receipts:	
Donations and fund raisers	\$ 5,019
Interest on investments	189
Ambulance fees	25,080
Refunds	597
Total receipts	<u>30,885</u>
Disbursements:	
Salaries	2,776
Operating supplies	4,030
Equipment	11,179
Ambulance loan:	
Principal redeemed	14,966
Interest paid	1,446
Billing fees	3,467
Training	517
Dues and memberships	450
Meals and donations	542
Total disbursements	<u>39,373</u>
Net change in cash balances	(8,488)
Cash balances beginning of period	<u>24,445</u>
Cash balances end of period	<u><u>\$ 15,957</u></u>

City of Oakland

Staff

This agreed upon procedures engagement was performed by:

K. David Voy, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State