



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 August 20, 2007

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released a report on applying agreed-upon procedures to the City of Protivin's certification of compliance with Chapter 388.10 of the Code of Iowa. The Code of Iowa requires cities owning or operating a municipal utility providing telecommunication services to certify these services were not subsidized. The report covers the period July 1, 2005 through June 30, 2006.

Vaudt recommended the City review control procedures to obtain the maximum internal control possible and establish procedures to reconcile utility billings, collections and delinquencies. The City responded favorably to the recommendations contained in the report.

Copies of the report are 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 <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF PROTIVIN

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

**FOR THE PERIOD
JULY 1, 2005 THROUGH JUNE 30, 2006**

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City of Protivin

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Michael Lensing	Mayor	Jan 2006
James Panos	Mayor Pro-Tem	Jan 2008
Ken Panos	Council Member	Jan 2006
Raymond Dreckman	Council Member	Jan 2006
Donald Koudelka	Council Member	Jan 2006
Wayne Hansmeier	Council Member	Jan 2008
Betty Hadacek	Clerk/Treasurer	Indefinite
Kevin Schoeberl	Attorney	Indefinite
(After January 2006)		
Michael Lensing	Mayor	Jan 2008
James Panos	Mayor Pro-Tem	Jan 2008
Wayne Hansmeier	Council Member	Jan 2008
Ken Panos	Council Member	Jan 2010
Raymond Dreckman	Council Member	Jan 2010
Donald Koudelka	Council Member	Jan 2010
Betty Hadacek	Clerk/Treasurer	Indefinite
Kevin Schoeberl	Attorney	Indefinite

City of Protivin



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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 Protivin, solely to assist the City in evaluating its certification the City complied with Chapter 388.10 of the Code of Iowa because it did not subsidize its telecommunication systems and/or services. Management is responsible for the City's compliance with those requirements. 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.

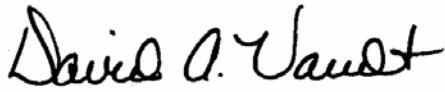
The procedures we performed are summarized as follows:

1. We obtained an understanding of the City's internal control over the City's telecommunications system and services.
2. We obtained and reviewed copies of the City's ordinances and resolutions pertaining to the City's telecommunications system and services, including rates charged.
3. We reviewed and/or tested selected transactions for billings, collections, receipts, disbursements, transfers and balances pertaining to the City's telecommunications system and services.
4. We reviewed and tested the City's cost allocations.

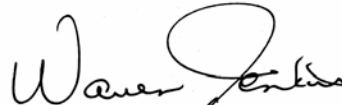
No exceptions to the requirements of Chapter 388.10 of the Code of Iowa were noted as a result of performing the procedures described above. However, we identified various recommendations for the City, which are described in the Detailed Recommendations section of this report.

We were not engaged to conduct an examination, the objective of which is the expression of an opinion on the City's compliance with the requirements of Chapter 388.10 of the Code of Iowa. Accordingly, we do not express an opinion. Had we performed additional procedures, 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 Protivin and other parties to whom the City of Protivin may report. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 4, 2007

Detailed Recommendations

City of Protivin

Detailed Recommendations

July 1, 2005 through June 30, 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. Generally, one person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions and custody of assets.
- (2) Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Receipts – collecting, depositing, journalizing, reconciling and posting.
- (5) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (6) Disbursements – check writing, reconciling, check signing and posting.
- (7) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.
- (8) Financial reporting – preparing, reconciling and distributing.

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 independent reviews should be indicated by initials of the independent reviewer and the date of the review.

Response – We will comply with the recommendation.

Conclusion – Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Although procedures for reconciling utility billings, collections and delinquencies were implemented during the year, the delinquent account listing printouts were discarded after being reviewed by City officials.

Recommendation – The delinquent account listing printouts used in the reconciliation process should be retained to support the monthly reconciliation. Once the reconciliation has been reviewed, a designated City Official should initial and date the reconciliation indicating approval and review.

Response – We will comply with the recommendation.

Conclusion – Response accepted.

- (C) Receipts – Prenumbered receipts were issued for cash collections received at City Hall. However, prenumbered receipts were not issued for all City collections.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all City money. The receipts should be recorded and reconciled with timely deposits and the reconciliation should be reviewed periodically by an independent person. For utility collections, a daily cash log should be maintained, with one receipt issued for a day's collections, and reconciled with timely deposits.

Response – We will comply with the recommendation.

Conclusion – Response accepted.

- (D) Disbursements – Although documentation was available to support City disbursements, the supporting documentation was not cancelled to prevent duplicate payment.

Recommendation – All supporting invoices, statements and other documentation should be cancelled with the date and check number to help avoid possible duplicate payment of the same invoice.

Response – We will comply with the recommendation.

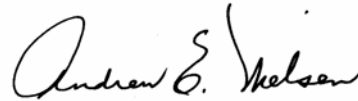
Conclusion – Response accepted.

City of Protivin

Staff

This agreed-upon procedures engagement was performed by:

Marlys K. Gaston, CPA, Manager
John G. Vanis, CGFM, Senior Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State