

CITY OF ST. ANSGAR
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

CITY OF ST. ANSGAR

Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT ACCOUNTANT’S EXAMINATION REPORT	2-3
DETAILED RECOMMENDATIONS	
	<u>Exhibit</u>
Segregation of Duties	A.....4
Reconciliation of Utility Billings, Collections and Delinquent Accounts.....	B.....4
City Council Minutes.....	C.....4
Payroll Documentation	D.....5
Payment of Revenue Bonds.....	E.....5
Electronic Check Retention	F.....5
Journal Entries	G.....5
Checks Written and Held.....	H.....5
Urban Renewal Report	I.....5

CITY OF ST. ANSGAR

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Tollefson.....	Mayor	January 2014
Gerald Beaver.....	Council Member.....	January 2016
Joe Beyer *	Council Member.....	January 2014
Paul Goth.....	Council Member.....	January 2014
Jason Squier.....	Council Member.....	January 2016
William Squier	Council Member.....	January 2016
Diane Collier	City Clerk.....	Indefinite
Patrick Rourick.....	City Attorney.....	Indefinite

*Joe Beyer resigned effective September 7, 2012 and Bonnie Eustice was appointed to fill the vacancy.



Gardiner Thomsen
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of St. Ansgar pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of St. Ansgar for the period July 1, 2012 through June 30, 2013. 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 the report. Consequently, we make no representations 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 security 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 (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2012 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. 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.
8. 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.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.

11. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
12. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 audit of the operations of the City of St. Ansgar, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of St. Ansgar, additional 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 St. Ansgar and other parties to whom the City of St. Ansgar 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 many courtesies and assistance extended to us by personnel of the City of St. Ansgar during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 6, 2013

Gardiner Thomsen, P.C.

Gardiner Thomsen, P.C.
Charles City, Iowa

DETAILED RECOMMENDATIONS

City of St. Ansgar

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

(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, two individuals have control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting. Also, a list of money and checks received through the mail is not prepared.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution. An independent person does not approve the addition onto the computer system. There is not a review of vacation, sick leave and comp time records.
- (5) Utilities – billing, collecting, depositing and posting. Also, there is not a review of utility rates entered into the system.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing. Journal entries are not approved by an independent person.

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 evidenced by the signature or initials of the reviewer and the date of the review.

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts.

(C) City Council 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. The minutes for the meetings tested were published within fifteen days. The City entered into closed sessions on October 8, 2012, November 12, 2012, November 26, 2012, December 10, 2012 and January 14, 2013 and the minutes did not document the specific information required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

City of St. Ansgar

Detailed Recommendations (Continued)

For the period July 1, 2012 through June 30, 2013

- (D) Payroll Documentation – The Swimming Pool Manager does not submit timesheets to support hours worked.

Recommendation – All employees should submit timesheets to support hours worked for each pay period.

- (E) Payment of Revenue Bonds – Principal and interest on the City's water and sewer revenue bonds were paid from the Enterprise, Water Fund and Enterprise, Sewer Fund respectively. The bond documents instruct that the City establish a sinking fund and that all debt payments be made from that sinking fund.

Recommendation – The City should establish the required sinking funds and transfer from the Enterprise, Water Fund and Enterprise, Sewer Fund to the sinking funds for future funding contributions. Principal and interest payments on the bonds should be made from the sinking funds as required by the bond documents.

- (F) 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 City does not receive an image of the back of each cancelled check for several bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (G) Journal Entries – The City does not maintain supporting documentation for journal entries.

Recommendation – The City should maintain the appropriate documentation to support journal entries made to the City's financial records.

- (H) Checks Written and Held – The City wrote and held checks during the fiscal year. One instance was documented in the August 13, 2012 Council minutes.

Recommendation – The City should not write and hold checks.

- (I) Urban Renewal Report – The City Council did not approve the December 2012 urban renewal annual report and it was not certified to the Department of Management on or before December 1. The report was filed on December 18, 2012.

Recommendation – The City Council should approve the urban renewal annual report prior to certification to the Department of Management. The City should file the urban renewal annual report timely.

NEWS RELEASE

FOR RELEASE

Gardiner Thomsen, P.C. today released an examination report on the City of St. Ansgar, Iowa for the period July 1, 2012 through June 30, 2013. The examination was performed pursuant to Chapter 11.6 of the Code of Iowa.

Gardiner Thomsen, P.C. made recommendations including a recommendation that the City review its control procedures to obtain the maximum internal control possible.

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