



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ January 16, 2015 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Prairie City, Iowa for the period July 1, 2013 through June 30, 2014. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible. The City should also comply with Chapter 384.18 of the Code of Iowa and amend the budget before disbursements are allowed to exceed the budget.

A copy of the agreed-upon procedures report is 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/1421-0471-BLOF.pdf>.

###



**CITY OF PRAIRIE CITY**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2013 THROUGH JUNE 30, 2014**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant's Report on Applying Agreed-Upon Procedures	5-6
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 8
City Fire Department	B 8
City Ambulance Department	C 9
Separately Maintained Records	D 9
Reconciliation of Utility Billings, Collections and Delinquent Accounts	E 9
Certified Budget	F 9
City Council Meeting Minutes	G 9
Transfers	H 10
Financial Condition	I 10
Staff	11

**City of Prairie City**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2014)</b>		
Paul Bolles	Mayor	Jan 2014
Gary Johnson	Council Member	Jan 2014
Dan Kuecker	Council Member	Jan 2014
Larry Ross	Council Member	Jan 2014
Terri Rosonke	Council Member	Jan 2016
Larry Wenthe	Council Member	Jan 2016
Nancy Earles	City Clerk/Treasurer	Indefinite
Emmanuel Torbio	City Administrator	Indefinite
<b>(After January 2014)</b>		
Chad Alleger	Mayor	Jan 2016
Terri Rosonke	Council Member	Jan 2016
Larry Wenthe	Council Member	Jan 2016
Lyle Burkett	Council Member	Jan 2018
Dan Downey	Council Member	Jan 2018
Andrea Engle	Council Member	Jan 2018
Nancy Earles	City Clerk/Treasurer	Indefinite
Emmanuel Torbio	City Administrator	Indefinite

**City of Prairie City**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

## Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor  
and Members of the City Council:

We have performed an agreed-upon procedures engagement of the City of Prairie City pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain minimum Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Prairie City for the period July 1, 2013 through June 30, 2014. The City of Prairie City's management, which agreed to the performance of the procedures performed, is responsible 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 2014 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 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.
11. 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.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 City of Prairie City, the objective of which is the expression of opinions on the City's 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 Prairie City, 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 Prairie City and other parties to whom the City of Prairie City 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 Prairie City 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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN JENKINS, CPA  
Chief Deputy Auditor of State

August 14, 2014

## **Detailed Recommendations**

City of Prairie City

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

(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, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (3) Long-term debt – recording and reconciling.
- (4) Receipts – opening mail, depositing, journalizing and posting.
- (5) Utility receipts – billing, collecting, posting and entering into the system.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, recording and reconciling.
- (7) Journal entries – preparing, approving and journalizing.
- (8) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (9) Computer system – performing all general accounting functions, having custody of assets and controlling all data input and output.
- (10) Financial reporting – preparing and reconciling.

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) City Fire Department – The following were noted for the Fire Department:

- All accounting functions are handled by one individual without adequate compensating controls.
- Proper supporting documentation for disbursements is not maintained.
- Supporting documentation for claims is not cancelled to prevent reuse.

Recommendation - The Fire Department should segregate accounting duties to the extent possible and proper supporting documentation should be maintained for disbursements. In addition, supporting documentation for claims should be cancelled to prevent reuse.

City of Prairie City

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

(C) City Ambulance Department – The following were noted for the Ambulance Department:

- All accounting functions are handled by one individual without adequate compensating controls.
- Supporting documentation for claims is not cancelled to prevent reuse.

Recommendation - The Ambulance Department should segregate accounting duties to the extent possible. In addition, supporting documentation for claims should be cancelled to prevent reuse.

(D) Separately Maintained Records – The City Fire and Ambulance Departments maintain separate accounting records for certain operations. These 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 City Council on a monthly basis.

(E) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled and were not reviewed by an independent person throughout the year. In addition, 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. The review should be documented by the signature or initials of the reviewer and the date of the review.

(F) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works and the business type activities functions. 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.

(G) City Council Meeting Minutes – For three of four City Council minutes reviewed, the City did not publish a summary of receipts as required by Chapter 372.13 (6) of the Code of Iowa.

Recommendation – A summary of receipts should be published, as required.

City of Prairie City

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

- (H) Transfers – One of four transfers between funds selected for testing was not approved by the City Council.

Recommendation – The City Council should approve all interfund transfers prior to the actual transfer and document approval and amounts as part of the minutes record.

- (I) Financial Condition – At June 30, 2014, the City had a deficit balance of \$5,008 in the Debt Service Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

City of Prairie City

Detailed Recommendations

For the period July 1, 2013 through June 30, 2014

City of Prairie City

Staff

This agreed-upon procedures engagement was performed by:

Timothy D. Houlette, CPA, Manager  
Jesse J. Probasco, Staff Auditor  
Trent Mussmann, Assistant 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