



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

FOR RELEASE _____ April 2, 2015 _____

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Walnut, 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 internal controls to obtain the maximum internal control possible, establish procedures to ensure disbursements are properly documented and investigate alternatives to eliminate the deficit balance in the Capital Projects, Housing Rehabilitation Fund.

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/1421-0742-BL0F.pdf>

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CITY OF WALNUT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

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City of Walnut

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Gene Larsen	Mayor	Jan 2016
Sue Shepherd	Mayor Pro Tem, City Council	Jan 2014
Marye Bierbaum	City Council	(Resigned Sep 2013)
Cheryl True	City Council	Jan 2014
Trace Frahm	City Council	Jan 2016
Kathy Humann	City Council	Jan 2016
Terri Abel	City Clerk	Indefinite
Shannon Wood	Deputy City Clerk	Indefinite
Dona Grooms	City Treasurer	Indefinite
Richard Schenk	City Attorney	Indefinite
Jim Blum	City Superintendent	Indefinite
Wayne Rush	City Maintenance	Indefinite
Margo Matthies	Head Librarian	Indefinite
Judy Schrecengost	Assistant Librarian	Indefinite
Sherry Jacobsen	Assistant Librarian	Indefinite
Justin Tooley	Fire Chief	Indefinite
Brett Petersen	Assistant Fire Chief	Indefinite

City of Walnut

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(After January 2014)</u>		
Gene Larsen	Mayor	Jan 2016
Kathy Humann	Mayor Pro Tem, Council Member	Jan 2016
Trace Frahm	Council Member	Jan 2016
Dennis Hullinger	Council Member	Jan 2018
Robert Kreeger	Council Member	Jan 2018
Susan Shepherd	Council Member	Jan 2018
Terri Abel	City Clerk	Indefinite
Shannon Wood	Deputy City Clerk	Indefinite
Dona Grooms	City Treasurer	Indefinite
Richard Schenk	City Attorney	Indefinite
Jim Blum	City Superintendent	Indefinite
Wayne Rush	City Maintenance	Indefinite
Margo Matthies	Head Librarian	Indefinite
Judy Schrecengost	Assistant Librarian	Indefinite
Justen Tooley	Fire Chief	Indefinite
Brett Petersen	Assistant Fire Chief	Indefinite



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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 procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Walnut for the period July 1, 2013 through June 30, 2014. The City of Walnut'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 Walnut, 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 Walnut, 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 Walnut and other parties to whom the City of Walnut 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 Walnut 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 G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2015

Detailed Recommendations

City of Walnut

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 – investing, recording and custody.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing and signing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing, posting and reconciling.
- (7) 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 review of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

(B) Payroll – Individual approved salaries were not documented in the Library Board minutes.

Recommendation – Approved salaries of Library employees should be documented in the Library Board minutes.

(C) Supporting Documentation – Supporting documentation was not initially available to support one of 30 disbursements tested in the amount of \$69. Supporting documentation was subsequently obtained.

Recommendation – The City should maintain supporting documentation for all disbursements.

(D) Financial Condition – The Capital Projects, Housing Rehabilitation Fund had a deficit balance of \$2,399 at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate the deficit balance.

(E) Deposits – Five intergovernmental receipts were not deposited in a timely manner.

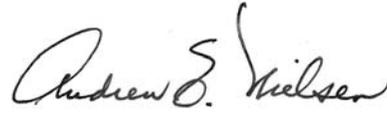
Recommendation – The City should establish procedures to ensure receipts are deposited timely.

City of Walnut

Staff

This agreed-upon procedures engagement was performed by:

Deborah J. Moser, CPA, Manager
Michael A. Chervek, Staff Auditor
Emma L. McGrane, 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