



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE July 2, 2003

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515/281-5155

Auditor of State David A. Vaudt today released an audit report on Saylor Township, located in Polk County, Iowa, for the six months ended December 31, 2002 and the year ended June 30, 2002.

The Township's receipts totaled \$300,966 for the six months ended December 31, 2002, and included \$256,162 in property tax, \$10,500 in hall rents and deposits, and \$13,350 for grave opening fees. Receipts totaled \$596,708 for the year ended June 30, 2002, and included \$510,202 in property tax, \$20,850 in hall rents and deposits, and \$15,750 for grave opening fees.

Disbursements totaled \$272,894 for the six months ended December 31, 2002, and included \$59,046 for salaries, \$37,870 for attorney fees and \$48,896 for repair and maintenance. Disbursements totaled \$470,318 for the year ended June 30, 2002, and included \$120,699 for salaries, \$67,312 for attorney fees and \$48,271 for repair and maintenance.

This report contains recommendations to the Saylor Township Trustees. For example, internal control operating procedures should be reviewed to obtain the maximum internal control possible. Monthly bank reconciliations and financial reports should be prepared and reviewed by the Trustees. The Township Trustees have responded that corrective action will be implemented.

A copy of the audit report is available for review in the Office of Auditor of State and the Saylor Township Fire Station.

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SAYLOR TOWNSHIP

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENT
SCHEDULE OF FINDINGS

SIX MONTHS ENDED DECEMBER 31, 2002
AND THE YEAR ENDED JUNE 30, 2002

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Saylor Township

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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(Prior to January 1, 2003)

Herbert Hicks	Trustee	January 2003
Larry Campbell	Trustee	January 2005
Kathy Prendergast	Trustee	January 2005
David Campbell	Clerk	January 2003

(After January 1, 2003)

Kathy Prendergast	Trustee	January 2005
Larry Campbell	Trustee	January 2005
Frank Cross	Trustee	January 2007
Phyllis Jones	Clerk	January 2007

Saylor Township



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Independent Auditor's Report

To the Trustees of Saylor Township:

We have audited the accompanying statement of cash transactions of Saylor Township as of and for the six months ended December 31, 2002 and the year ended June 30, 2002. This financial statement is the responsibility of the Township's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned statement of cash transactions presents fairly, in all material respects, the results of the cash transactions of Saylor Township as of and for the six months ended December 31, 2002 and the year ended June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2003 on our consideration of Saylor Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 17, 2003

Saylor Township

Financial Statement

Saylor Township
Combined Statement of Cash Transactions
All Funds
Six Months ended December 31, 2002

	Fire	Ambulance	Cemetery/ Park	Hall
Receipts:				
Property tax	\$ 105,282	29,259	108,860	7,687
Hall rents and deposits	-	-	-	10,500
Interest on investments	1,285	-	18	-
Grave opening fees	-	-	13,350	-
Cemetery lots	-	-	13,300	-
Donations	-	-	-	-
Fundraisers	-	-	-	-
Miscellaneous	2,134	-	1,851	-
Total receipts	108,701	29,259	137,379	18,187
Disbursements:				
Salaries	4,940	1,375	51,806	925
Fire and ambulance calls	10,704	7,360	-	-
Employee benefits	3,775	1,611	6,226	-
Supplies	5,802	4,746	745	100
Contractual services	101	232	-	-
Attorney fees	16,999	4,145	16,726	-
Insurance	21,241	2,615	3,066	47
Utilities	4,905	590	2,380	-
Equipment	2,921	-	31,077	-
Repair and maintenance	34,088	2,081	10,526	2,201
Gas and oil	1,552	-	1,599	-
Training	920	585	-	-
Communications	2,340	370	879	148
Rent deposits returned	-	-	-	4,850
Miscellaneous	195	-	-	-
Total disbursements	110,483	25,710	125,030	8,271
Excess (deficiency) of receipts over (under) disbursements	(1,782)	3,549	12,349	9,916
Balance beginning of the period	330,370	8,463	136,269	32,483
Balance end of the period	\$ 328,588	12,012	148,618	42,399

See notes to financial statement.

Saylor Township		
Litigation	Volunteer Fire Department	Total (Memorandum Only)
5,074	-	256,162
-	-	10,500
-	7	1,310
-	-	13,350
-	-	13,300
-	150	150
-	1,708	1,708
-	501	4,486
5,074	2,366	300,966
-	-	59,046
-	-	18,064
-	-	11,612
-	481	11,874
-	2,552	2,885
-	-	37,870
-	-	26,969
-	-	7,875
-	-	33,998
-	-	48,896
-	-	3,151
-	-	1,505
-	-	3,737
-	-	4,850
-	367	562
-	3,400	272,894
5,074	(1,034)	28,072
9,887	5,055	522,527
14,961	4,021	550,599

Saylor Township
Combined Statement of Cash Transactions
All Funds
Year ended June 30, 2002

	Fire	Ambulance	Cemetery/ Park	Hall
Receipts:				
Property tax	\$ 206,098	61,830	217,078	15,309
Hall rents and deposits	-	-	-	20,850
Interest on investments	8,416	-	96	-
Grave opening fees	-	-	15,750	-
Cemetery lots	-	-	7,100	-
Donations	-	-	-	-
Fundraisers	-	-	-	-
Miscellaneous	9,133	-	13,971	-
Total receipts	223,647	61,830	253,995	36,159
Disbursements:				
Salaries	7,974	2,637	107,153	2,935
Fire and ambulance calls	24,302	11,285	-	-
Employee benefits	7,669	2,639	12,700	-
Supplies	2,336	6,993	2,731	480
Contractual services	4,214	1,361	3,987	-
Attorney fees	63,178	4,134	-	-
Insurance	22,861	8,898	13,948	413
Utilities	9,867	1,315	6,862	-
Equipment	32,657	238	13,973	-
Repair and maintenance	5,717	5,070	32,654	4,830
Gas and oil	2,669	264	2,656	-
Training	1,927	1,246	-	-
Communications	4,156	1,097	2,730	550
Rent deposits returned	-	-	-	11,300
Miscellaneous	1,059	95	257	-
Total disbursements	190,586	47,272	199,651	20,508
Excess (deficiency) of receipts over (under) disbursements	33,061	14,558	54,344	15,651
Balance beginning of the year	297,309	(6,095)	81,925	16,832
Balance end of the year	\$ 330,370	8,463	136,269	32,483

See notes to financial statement.

Saylor Township		
Litigation	Volunteer Fire Department	Total (Memorandum Only)
9,887	-	510,202
-	-	20,850
-	30	8,542
-	-	15,750
-	-	7,100
-	602	602
-	8,534	8,534
-	2,024	25,128
9,887	11,190	596,708
-	-	120,699
-	-	35,587
-	-	23,008
-	5,135	17,675
-	6,891	16,453
-	-	67,312
-	-	46,120
-	-	18,044
-	-	46,868
-	-	48,271
-	-	5,589
-	-	3,173
-	-	8,533
-	-	11,300
-	275	1,686
-	12,301	470,318
9,887	(1,111)	126,390
-	6,166	396,137
9,887	5,055	522,527

Saylor Township

Notes to Financial Statement

December 31, 2002 and June 30, 2002

(1) Summary of Significant Accounting Policies

Saylor Township is a political subdivision of Polk County, Iowa. The Township is governed by three Trustees elected on a non-partisan basis. The Township provides emergency fire, ambulance, cemetery and park maintenance services.

A. Reporting Entity

For financial reporting purposes, Saylor Township has included all funds, organizations, agencies, boards, commissions and authorities. The Township has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Township to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Township.

These financial statements present Saylor Township (the primary government) and its component unit. The component unit discussed below is included in the Township's reporting entity because of the significance of its operational or financial relationship with the Township.

Blended Component Unit

The Saylor Township Volunteer Fire Department was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa in order to receive donations for the benefit of the Saylor Township Volunteer Fire Department. The donations are to be used in support of the Department's efforts to preserve life and property in Saylor Township and provide fire safety education. The Saylor Township Volunteer Fire Department is an entity which is legally separate from the Township, but is so intertwined with the Township that it is, in substance, part of the Township. It is reported in a separate column in the Combined Statement of Cash Transactions.

B. Fund Accounting

The accounts of Saylor Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The various funds are classified as follows in the financial statements:

Fire – The Fire Fund is utilized to account for all resources used in providing fire protection service for the Township. The Trustees may purchase, own, rent, or maintain fire protection service equipment and provide housing for the equipment.

Ambulance – The Ambulance Fund is utilized to account for all resources used in providing emergency medical services for the Township. The Trustees may purchase, own, rent, or maintain emergency medical service equipment and provide housing for the equipment.

Cemetery/Park – The Cemetery Fund is utilized to account for all resources used for the operation and maintenance of Pinehill Cemetery and Margo Frankel Woods State Park.

Hall – The Hall Fund is utilized to account for all resources used for the maintenance and support of the Township Hall.

Litigation – The Litigation Fund is utilized to account for tax levied for litigation.

C. Basis of Accounting

Saylor Township maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Township are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the Township in accordance with U.S. generally accepted accounting principles.

D. Total (Memorandum Only)

The total column on the statements of cash transactions is captioned “Memorandum Only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Deposits

The Township’s deposits at December 31, 2002 and June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Township is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Township Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Township had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Risk Management

The Township is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Township assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(4) Pension and Retirement Benefits

The Township contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.7% of their annual covered salary and the Township is required to contribute 5.75% of annual covered payroll except for fire personnel, in which case the percentages are 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The Township's contribution to IPERS for the six months ended December 31, 2002, and the years ended June 30, 2002, and 2001 were \$5,912, \$11,800 and \$8,899, respectively, equal to the required contributions for each period.

(5) Litigation

The Township is currently a defendant in a lawsuit seeking an unspecified amount of damages. The probability and amount of loss, if any, is undeterminable.

Also, the Township had disbursements for attorney fees for the six months ended December 31, 2002 and the year ended June 30, 2002 of \$37,870 and \$67,312, respectively.



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**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Trustees of Saylor Township:

We have audited the financial statement of Saylor Township, as of and for the six months ended December 31, 2002 and the year ended June 30, 2002, and have issued our report thereon dated March 17, 2003. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Saylor Township's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Township's operations for the six months ended December 31, 2002 and the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Township. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory conditions have been resolved except for items (1), (4), and (6).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saylor Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Saylor Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the accompanying Schedule of Findings, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for items (A), (B), (C), (D), (E), (G), (H), (K) and (L).

This report, a public record by law, is intended solely for the information and use of the officials and citizens of Saylor Township and other parties to whom Saylor Township 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 Saylor Township during the course of our audit. 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 17, 2003

Saylor Township

Schedule of Findings

Six Months ended December 31, 2002

and the Year ended June 30, 2002

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal control, the existing controls were evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Township's financial statement. Generally one individual has control over the collecting, depositing, posting, receipts, disbursements, bank reconciliations, payroll and investments for which no compensating controls exist.

Recommendation – We realize that with a limited number of employees, segregation of duties is difficult. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials and other current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – The Trustees are taking a more active role in the financial area and we will continue to do what we can with limited personnel.

Conclusion – Response accepted.

- (B) Bank Reconciliations – Monthly bank statements were not reconciled to the Township's monthly financial report.

Recommendation – Monthly bank statements should be reconciled to the monthly financial report in a timely manner and all reconciling items should be documented. The Township Trustees should review the reconciliations and document their review by initialing and dating the monthly reconciliations.

Response – The Clerk will prepare timely bank reconciliations and the Trustees will review the bank reconciliations.

Conclusion – Response accepted.

- (C) Financial Reporting – Monthly financial reports were not prepared to document the beginning balance, receipts, disbursements and ending balance for each of the individual Township funds.

Also, the Township Clerk prepares reports for payroll taxes and IPERS contributions, which are not reviewed by the Trustees.

Recommendation – Monthly financial reports should be prepared to document the financial activity of the Township.

Also, Trustees should review and approve the other reports prepared by the Clerk.

Saylor Township

Schedule of Findings

Six Months ended December 31, 2002

and the Year ended June 30, 2002

Response – The Clerk will prepare monthly financial reports and the Trustees will review and approve all reports.

Conclusion – Response accepted.

(D) Written Policies – The Township does not have written policies and procedures in place to address the following:

- Certain invoices are split for payment between various funds. The Trustees should identify which bills will be allocated and the allocation basis to be used.
- The usage of Township vehicles, equipment and cellular phones by Township Trustees and personnel.
- The sale of cemetery lots at a discount price to elected officials and employees of the Township.

Recommendation – The Township should establish written policies and procedures to address and clarify these issues.

Response – The Township will establish written policies and procedures.

Conclusion – Response accepted.

(E) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the Township's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Township's computer based systems were noted:

The Township does not have written policies for:

- usage of the Internet.
- personal use of computer equipment and software.
- ensuring that only software licensed to the Township is installed on computers.
- procedures for implementing system changes.

Also, the Township does not have a written disaster recovery plan and does not require back up tapes to be stored off site daily in a fire proof vault or safe.

Recommendation – The Township should develop written policies addressing the above items in order to improve the Township's control over computer based systems. Also, a written disaster recovery plan should be developed and back-up tapes should be stored off site daily in a fireproof vault or safe.

Saylor Township

Schedule of Findings

Six Months ended December 31, 2002

and the Year ended June 30, 2002

Response – The Township will establish written policies and procedures.

Conclusion – Response accepted.

- (F) Manual and Void Checks – A Trustee was writing temporary checks which were not pre-numbered. In addition, manual checks were also written using the Township's pre-numbered checks. No comprehensive record was kept of the manual checks written and several checks with duplicate numbers exist. None of the manual checks written were entered into the Township's financial accounting system. However, the manual checks were later included for financial reporting purposes.

The Township is not properly accounting for void checks.

Recommendation – All disbursements for the Township should be made with pre-printed, pre-numbered checks. Also, the Township should enter all checks into the financial records and monitor and account for the numerical sequence of the checks. In addition, void checks should be cancelled and retained.

Response – The Township will use only preprinted, prenumbered checks and all checks will be accounted for and entered into the financial records.

Conclusion – Response accepted.

- (G) Receipts – The individual opening the mail does not prepare an initial listing of collections.

Certain collections were not deposited timely and were not recorded on the computer system timely. Certain collections were not entered into the computer or were credited to an incorrect account number or fiscal year.

Certain deposits received to reserve the Township Hall for an event were not deposited. Instead, the checks were returned to the individual renting the Township Hall after the event had occurred.

Rent was not collected for one event.

Recommendation – The individual who opens the mail should prepare an initial listing of collections and reconcile the listing to daily deposits

All collections should be deposited in the bank and credited to the proper funds in an accurate and timely manner. Township checks should be issued for refunds, if any.

Rent should be collected and deposited for all events held at the Township Hall in accordance with the applicable Township policy.

Response – Mail and collections will be logged in daily. The Clerk will deposit all collections and credit to the proper funds in an accurate and timely manner, including rent for the Township Hall.

Conclusion – Response accepted.

Saylor Township

Schedule of Findings

Six Months ended December 31, 2002

and the Year ended June 30, 2002

- (H) Disbursements – Certain disbursements were not properly classified in the financial records and were not properly approved for payment by two trustees. Also, supporting documentation could not be located for certain disbursements. In addition, certain invoices were not paid timely, which resulted in the assessment of late fees.

Recommendation – Disbursements should be properly classified and approved for payment by two trustees. Also, supporting documentation should be retained for all transactions and disbursements should be processed in a timely manner.

Response – All disbursements will be properly classified and approved for payment by two trustees. All documentation will be retained for all transactions and disbursements will be processed in a timely manner.

Conclusion – Response accepted.

- (I) Payroll Reports – Certain payroll tax and IPERS reports were filed after deadlines, which resulted in the assessment of late fees and penalties. In addition, copies of all reports were not retained.

Recommendation – Payroll tax and IPERS reports should be processed timely in order to avoid the payment of late fees and penalties. Copies of all payroll reports should be retained.

Response – Payroll tax and IPERS reports will be processed timely in order to avoid the payment of late fees and penalties. Copies of all payroll reports will be retained.

Conclusion – Response accepted.

- (J) Vacation Payout – The Township uses employment contracts for cemetery employees. These contracts state that vacation is forfeited if not used by the employee's anniversary date. One cemetery worker was paid for eighty hours of unused vacation time.

Recommendation – The Township should comply with requirements in the employment contracts.

Response – The Township will comply with requirements in the employment contracts.

Conclusion – Response accepted.

- (K) Payroll – The Trustees did not approve salaries or pay rates for seasonal employees and did not review and approve payroll transactions.

Payroll checks written per the check register did not reconcile to payroll amounts recorded in the financial records for three months. Although the payroll register was correct, the correct amounts were not posted to the financial statements.

Saylor Township

Schedule of Findings

Six Months ended December 31, 2002

and the Year ended June 30, 2002

Recommendation – The Trustees should approve salaries or pay rates for all employees and should review and approve payroll. The Clerk should reconcile monthly payroll activity per the financial records to payroll checks written and resolve any variances.

Response – The Trustees will approve salaries or pay rates for all employees and should review and approve payroll. The Clerk will reconcile monthly payroll activity per the financial records to payroll checks written and resolve any variances.

Conclusion – Response accepted.

- (L) Saylor Township Volunteer Fire Department – During our review of internal control, the existing controls were evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Department's financial statement. Generally one individual has control over the collecting, depositing, posting, disbursing and bank reconciliations for which no compensating controls exist.

Board minutes for several monthly meetings were not available for review.

Invoices and supporting documentation were not canceled to help prevent possible duplicate payment. Also, three disbursements were not properly approved for payment.

Recommendation – We realize that with a limited number of employees, segregation of duties is difficult. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Officials and other current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

The Department should maintain all documentation related to monthly meetings, including minutes and financial reports.

All invoices and supporting documentation should be marked paid or canceled to help prevent possible duplicate payment(s). All disbursements should be approved prior to payment.

Response – Everything that you have brought to our attention are great points and we will fix them. I will be keeping a copy of the minutes, treasurers report and bank statement in my files so there will be two copies of those signed and dated by myself and the membership vice president. Also, we will clearly mark all invoices paid or canceled. All purchases have to be approved by the membership.

Conclusion – Response acknowledged. The operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances.

Saylor Township

Schedule of Findings

Six Months ended December 31, 2002

and the Year ended June 30, 2002

Findings Related to Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has not been approved by the Township Trustees.

Recommendation – The Township should approve a resolution naming official depositories and include it in the minutes.

Response – The Township will approve a resolution naming official depositories and include it in the minutes.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (3) Travel Expense – No disbursements of Township money for travel expenses of spouses of Township officials or employees were noted.
- (4) Township Minutes – Except as follows, no transactions were found that we believe should have been approved in the Township minutes but were not.

Trustees did not sign the minutes from the Township meetings. Minutes have not been approved by the Trustees since the December 2000 meeting. In addition, minutes for closed sessions did not reference the specific purpose for the closed session as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The Trustees should sign the minutes to authenticate the action of the Trustees. Minutes for each meeting should be reviewed and approved by the Trustees at the next meeting. This approval should be documented in the minutes. Also, the minutes should also reflect the specific purpose for the closed session as required by Chapter 21.5 of the Code of Iowa.

Response – The Trustees will sign the minutes to authenticate the action of the Trustees. Since January 2003, all minutes have been discussed, approved, and documented in open trustee meetings. Minutes will reflect the specific purpose for the closed session as required by Chapter 21.5 of the Code of Iowa.

Conclusion – Response accepted.

- (5) Deposits and Investments – Except as noted in item (1) above, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- (6) Annual Financial Report – The Statement of Receipts and Expenditures was not filed by September 30th with the Polk County Auditor as required by Chapter 359.23 of the Code of Iowa. Also the report contained certain errors.

Saylor Township

Schedule of Findings

Six Months ended December 31, 2002

and the Year ended June 30, 2002

Recommendation – The Township should submit an amended Statement of Receipts and Expenditures to the County Auditor. In the future, the report should be filed in an accurate and timely manner.

Response – The Township will submit an accurate, amended Statement of Receipts and Expenditures to the County Auditor and will file future reports with the County Auditor by September 30th.

Conclusion – Response accepted.

Saylor Township

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor
Natalie J. Storm, CPA, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State