



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE _____ April 1, 2014 _____ Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an examination report on the City of Mechanicsville, 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.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible. The City should also comply with the continuing disclosure requirements in the water revenue bond resolution and have an annual audit performed. In addition, the City should develop a written disaster recovery plan for its computer system and test it periodically.

A copy of the examination 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/1321-0139-BLOF.pdf>.

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

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City of Mechanicsville

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------|----------------|---------------------|
| Boyd Stine | Mayor | Jan 2014 |
| Dee Cook | Council Member | Jan 2014 |
| Calvin Paup | Council Member | Jan 2014 |
| Pam Cavey | Council Member | Jan 2016 |
| Rob Davis | Council Member | Jan 2016 |
| Pam Logue | Council Member | Jan 2016 |
| Linda Coppess | City Clerk | Indefinite |
| Carol Lamont | Treasurer | Indefinite |
| Doug Simkin | Attorney | Indefinite |



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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of the City Council:

We have performed an examination of the City of Mechanicsville 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 Mechanicsville 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 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 2012 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 Mechanicsville, 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 Mechanicsville, 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 Mechanicsville and other parties to whom the City of Mechanicsville 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 Mechanicsville 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 20, 2014

Detailed Recommendations

City of Mechanicsville

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

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – preparing bank account reconciliations, initiating cash receipt and disbursement functions and handling and recording cash.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long term debt – recording and reconciling.
- (5) Receipts – collecting, depositing, journalizing and posting.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – purchasing, check signing, recording and reconciling.
- (8) Payroll – recordkeeping, preparing and distributing.
- (9) Journal entries – preparing and recording.
- (10) Computer System – performing all general accounting function and having custody of assets and controlling all data input and output.
- (11) Financial reporting – preparing, reconciling and distributing.

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) Computer System – The City does not have a written disaster recovery plan.

Recommendation – The City should develop a written disaster recovery plan and test it periodically.

City of Mechanicsville

Detailed Recommendations

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

- (C) Water Revenue Bonds – During the year ended June 30, 1999, the City issued water revenue bonds for the construction of a water tower under an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo, N.A. As part of the continuing disclosure requirements of the bonds, the City agreed to have an annual audit performed during the term of the loan. The last audit of the City was for the year ended June 30, 2012.

Recommendation – The City should comply with the continuing disclosure requirements in the water revenue bond resolution and have an annual audit performed.

- (D) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|---|----------|
| Linda Coppess, City Clerk, husband is part owner of Odd Jobber | Tree service, per bid | \$ 7,300 |
| Lonni Koch, Fire Chief and Ambulance Coordinator, co-owner of Koch's Service & Supply, LLC with her husband | Replacing furnace /AC and Library Reading Garden materials, per bid | 16,675 |
| | City maintenance supplies and materials | 2,394 |

In accordance with Chapter 5.07 of the City Code of Ordinances and Chapter 362.5(3)(d) of the Code of Iowa, the transaction with Odd Jobber does not appear to represent a conflict of interest since it was entered into through competitive bidding.

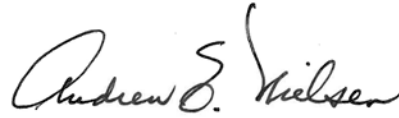
Of the transactions with Koch's Service & Supply LLC, \$16,675 does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa. The remaining \$2,394 does not represent a conflict of interest in accordance with Chapter 362.5(3)(j) of the Code of Iowa since the cumulative total during the fiscal year was less than \$2,500.

City of Mechanicsville

Staff

This examination was performed by:

Timothy D. Houlette, CPA, Manager
Elissa R. Olson, Staff Auditor
Leslie M. Downing, 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