



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

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ October 13, 2014 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Pomeroy, Iowa for the period August 1, 2013 through July 31, 2014. 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. In addition, the City should adopt a written investment policy in accordance with Chapter 12B.10B of the Code of Iowa.

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/1422-0109-EP0P.pdf>.

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**CITY OF POMEROY**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
AUGUST 1, 2013 THROUGH JULY 31, 2014**

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**City of Pomeroy**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Gene Becker	Mayor	Jan 2014
Daniel DeVore	Council Member	Jan 2014
Brian Meyer	Council Member	Jan 2014
Ronald Bachman	Council Member	Jan 2016
Susan Juilfs	Council Member	Jan 2016
Gregory Marquart	Council Member	Jan 2016
Sarah Juilfs	City Clerk/Treasurer	Indefinite
Steve Hendricks	Attorney	Indefinite
<u>(After January 2014)</u>		
Brian Meyer	Mayor	Jan 2018
Ronald Bachman	Council Member	Jan 2016
Susan Juilfs	Council Member	Jan 2016
Gregory Marquart	Council Member	Jan 2016
Daniel DeVore	Council Member	Jan 2018
Dennis Ehn	Council Member	Jan 2018
Sarah Juilfs	City Clerk/Treasurer	Indefinite
Steve Hendricks	Attorney	Indefinite

**City of Pomeroy**



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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 an agreed-upon procedures engagement of the City of Pomeroy pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Pomeroy for the period August 1, 2013 through July 31, 2014. 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 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 reconcile 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 2013 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 receipts for accurate accounting and consistency with the recommended COA.
11. 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.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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 Pomeroy, 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 Pomeroy, 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 Pomeroy and other parties to whom the City of Pomeroy 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 Pomeroy 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

September 4, 2014



## **Detailed Recommendations**

City of Pomeroy

Detailed Recommendations

For the period August 1, 2013 through July 31, 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. Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
2. Cash - handling, reconciling and recording.
3. Investments – recordkeeping, investing, custody of investments and reconciling earnings.
4. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
5. Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
6. Debt – recordkeeping, compliance and debt payment processing.
7. Journal entries – preparing and journalizing.
8. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
9. Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
10. Computer system – performing all general accounting functions and controlling all data input and output.
11. 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) Bank Reconciliations – Although monthly bank reconciliations were prepared, they were not reviewed by an independent person.

Recommendation – To improve financial accountability and control, monthly bank reconciliations, including investments, should be performed and variances between book and bank balances should be investigated and resolved timely. In addition, the reconciliation should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

(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. Minutes for two meetings tested were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days, as required.

City of Pomeroy

Detailed Recommendations

For the period August 1, 2013 through July 31, 2014

- (D) Financial Condition – At June 30, 2014, the City had a deficit balance of \$12,976 in the Debt Service Fund.

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

- (E) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. Also, the City does not maintain supporting documentation for certificates of deposit (CD's).

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. Also, the City should maintain supporting documentation for all CD's.

- (F) Official Depositories – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

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

Name, Title, and Business Connection	Transaction Description	Amount
Ronald Bachman, Council Member, Brother is owner of Bachman Tiling	Water and sewer work	\$7,334

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since the total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (H) Payroll – We could not locate City Council approval of the wage rate for one employee tested. Also, the wage increases for three City employees were approved based on a percentage. The actual approved wages were not documented in the City Council minutes.

Recommendation – The City Council should approve pay rates for City employees at the time of hiring and should approve actual pay increases instead of percentages when raises are granted.

City of Pomeroy

Detailed Recommendations

For the period August 1, 2013 through July 31, 2014

- (I) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Waddle-In Daycare	Donation	\$ 2,500
Jamie Buenting Memorial	Donation	250

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation of public purpose.

- (J) Travel Policy – The City has not adopted a travel reimbursement policy.

Recommendation – The City should adopt a travel reimbursement policy, including a requirement all reimbursement expenses be itemized. The policy should also specify lodging, meal and mileage reimbursement rates.

- (K) Computer System – During our review of internal control, the existing control activities in the City’s computer system were evaluated to determine 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 operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer system were noted:

The City does not have written policies over the computer system for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.

Also, the City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over its computer system. Also, a written disaster recovery plan should be developed and tested periodically.

City of Pomeroy

Staff

This agreed-upon procedures engagement was performed by:

Ernest H. Ruben Jr., CPA, Manager  
Jeremy L. Krajicek, Assistant Auditor  
Taylor I. Cook, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State