



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

NEWS RELEASE

FOR RELEASE _____ February 12, 2015 _____

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Mechanicsville, 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 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 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/1421-0139-BL0F.pdf>.

###

CITY OF MECHANICSVILLE
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
Computer System	B 8
Water Revenue Bonds	C 8
Business Transactions	D 9
Staff	10

City of Mechanicsville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</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	(Resigned July 2013)
Adrian Knuth (Appointed)	Attorney	Indefinite
<u>(After January 2014)</u>		
Larry Butler	Mayor	Jan 2018
Pam Cavey	Council Member	Jan 2016
Rob Davis	Council Member	Jan 2016
Pam Logue	Council Member	Jan 2016
Dee Cook	Council Member	Jan 2018
Dee Taylor	Council Member	Jan 2018
Linda Coppess	City Clerk	Indefinite
Carol Lamont	Treasurer	Indefinite
Adrian Knuth	Attorney	Indefinite

City of Mechanicsville



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 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 Mechanicsville for the period July 1, 2013 through June 30, 2014. The City of Mechanicsville'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 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 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 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

January 14, 2015

Detailed Recommendations

City of Mechanicsville

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

(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.

City of Mechanicsville

Detailed Recommendations

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

- (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 Tree service, not bid	\$ 1,700 1,540
Lonni Koch, Fire Chief and Ambulance Coordinator, co-owner of Koch's Service & Supply, LLC with her husband	Replacing air conditioning at Community Building, water heater at City Park and City maintenance supplies and material	4,710

Of the transactions with Odd Jobber, \$1,700 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 \$1,540 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.

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with Koch's Service & Supply, LLC may represent a conflict of interest since 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.

City of Mechanicsville

Staff

This agreed-upon procedures engagement was performed by:

Timothy D. Houlette, CPA, Manager
Jesse J. Harthan, Staff Auditor
Megan E. Irvin, Staff Auditor

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