



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

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**NEWS RELEASE**

FOR RELEASE

April 24, 2017

Contact: Marlys Gaston  
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Auditor of State Mary Mosiman today released a Report on the Status of Findings and Recommendations from the City of Pleasant Plain's Periodic Examination Report dated January 22, 2015. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period March 1, 2016 through August 31, 2016.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight. While two of the fourteen findings reported in the Periodic Examination Report dated January 22, 2015 have been corrected and five have been partially corrected, seven of the fourteen findings are repeated in this report as "not corrected". One additional finding identified during the follow-up procedures is also included in this report.

A copy of the City of Pleasant Plain's Report on the Status of Periodic Examination Findings and Recommendations 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 <https://auditor.iowa.gov/reports/1422-0480-EPFP>.

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**CITY OF PLEASANT PLAIN**

**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON THE STATUS OF PERIODIC EXAMINATION**  
**FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD**  
**MARCH 1, 2016 THROUGH AUGUST 31, 2016**

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**City of Pleasant Plain**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Richard Pohren	Mayor	Jan 2016	Jan 2018
Carl Chandler	Council Member	Jan 2016	Jan 2018
James Dunbar	Council Member	Jan 2016	Jan 2018
Gina Hanshaw	Council Member	Jan 2016	Jan 2018
Donald Pohren	Council Member	Jan 2016	Jan 2018
Kay Pohren	Council Member	Jan 2016	Jan 2018
Nancy Pence	City Clerk		Indefinite
John Morrissey	Attorney		Indefinite

**City of Pleasant Plain**



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**Independent Accountant's Report on Applying Agreed-Upon Procedures**

To the Honorable Mayor and Members of the City Council:

The Office of Auditor of State issued a Periodic Examination Report dated January 22, 2015 on the City of Pleasant Plain, Iowa covering the period January 1, 2014 through December 31, 2014 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report dated January 22, 2015 and the current status of the City's implementation of the recommendations included in that report. It also includes an additional finding and recommendation for an issue identified during our follow-up procedures.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

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 Pleasant Plain and other parties to whom the City of Pleasant Plain 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 Pleasant Plain during the course of our follow-up procedures. Should you have 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

September 23, 2016

**Report on the Status of Periodic Examination  
Findings and Recommendations**

City of Pleasant Plain

Report on the Status of Periodic Examination Findings and Recommendations

For the period March 1, 2016 through August 31, 2016

**Findings Reported in the Periodic Examination Report dated January 22, 2015:**

(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) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (3) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Disbursements – purchasing, invoice processing, check writing, signing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing, distributing and check signing.
- (6) Accounting System – performing all general accounting functions and having custody of assets.
- (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 reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

**Current Status – Not corrected. The recommendation is repeated.**

(B) Bank Reconciliations – The City’s general ledger balances were not reconciled to bank and investment balances throughout the year because the City records receipts and disbursements when they clear the bank account, not when money is received or checks are issued.

Recommendation – Receipts and disbursements should be recorded as money is received or disbursed. The City should establish procedures to ensure general ledger balances reconcile to the bank and investment balances monthly. Variances, if any, should be reviewed and resolved timely.

**Current Status – Partially corrected. During the period reviewed, cash and investment balances were not reconciled to the general ledger monthly because the City records receipts and disbursements when they clear the bank account, not when money is received or checks are issued. However, the City prepared a bank reconciliation, including a list of outstanding checks, at July 31, 2016 which reconciled to the general ledger. The recommendation is partially repeated.**

City of Pleasant Plain

Report on the Status of Periodic Examination Findings and Recommendations

For the period March 1, 2016 through August 31, 2016

- (C) Monthly City Clerk's Report – The City Clerk's financial reports to the City Council included cash and investment balances and monthly receipts and disbursements, but did not include comparisons to the certified budget by function or a summary of beginning balance, receipts, disbursements, transfers and ending balance for each fund. Receipt and disbursement transactions are not recorded by fund or by source and function until preparation of the Annual Financial Report (AFR).

Recommendation – Receipt and disbursement transactions should be recorded by fund, source and function on a current basis. To provide better control over budgeted disbursements and the opportunity for timely amendment to the certified budget, the City Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the monthly reports should also include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

**Current Status – Not corrected. The recommendation is repeated.**

- (D) Annual Financial Report – The 2014 Annual Financial Report (AFR) beginning and ending fund balances agreed in total to the City's financial records but were allocated incorrectly between the General Fund and the Special Revenue, Road Use Tax Fund. Additionally, the beginning and ending fund balances on the Street Financial Report did not agree to the City's financial records for the Special Revenue, Road Use Tax Fund.

Recommendation – The City should ensure AFR beginning and ending balances and financial activity is properly reported. Also, the City should consult with the Iowa Department of Transportation and an appropriate adjustment to the Street Financial Report should be completed to agree with the City's financial records.

**Current Status – Not corrected. The 2015 AFR beginning fund balance agreed in total to the City's financial records but fund balance allocations had not been corrected. Additionally, the beginning and ending fund balances on the fiscal year 2015 Street Financial Report did not agree to the City's financial records for the Special Revenue, Road Use Tax Fund. The recommendation is repeated. In addition, see finding (P).**

- (E) Receipts and Timely Deposits – Prenumbered receipts were not issued for all collections and an initial listing of collections was not prepared. Receipts were not always deposited timely.

Additionally, one County receipt for transfer of jurisdiction was recorded in the General Fund instead of the Special Revenue, Road Use Tax Fund as required by Chapter 312.6 of the Code of Iowa.

Recommendation – Prenumbered receipts should be issued for all collections and an initial listing of collections should be prepared. To safeguard cash and increase funds available for investment, receipts should be deposited intact and timely. The City should make a corrective transfer from the General Fund to the Special Revenue, Road Use Tax Fund.

City of Pleasant Plain

Report on the Status of Periodic Examination Findings and Recommendations

For the period March 1, 2016 through August 31, 2016

**Current Status – Not corrected. For the period reviewed, receipts were not issued for all collections and an initial listing of collections was not prepared. Receipts were not deposited timely. Additionally, County receipts for transfer of jurisdiction were recorded in the General Fund instead of the Special Revenue, Road Use Tax Fund as required. The recommendation is repeated.**

- (F) Disbursements – Invoices or other supporting documentation were not always available to support disbursements. Two transactions tested for mowing services were supported by a notepad and did not have the signature of the claimant to validate the claim.

Also, while the City Council notes approval of claims in the minutes, evidence of approval is not indicated on the invoices or on a signed list of approved claims. Additionally, one Council Member was paid for a meeting although there is no evidence the Council Member was in attendance.

Recommendation – All disbursements should be supported by invoices or other supporting documentation. For non-routine services for which an invoice is not provided, signatures should be obtained to validate the claim. The City should establish procedures to authenticate a detailed listing of claims and document approval of each invoice. An independent review of attendance records should be made to ensure elected officials are only paid for meetings attended.

**Current Status – Partially corrected. For the period reviewed, the City Council noted approval of claims in the minutes and evidenced approval by initialing invoices. No Council Member was paid for an unattended meeting. However, four of ten disbursements tested were not properly supported by an invoice or other supporting documentation. The recommendation is partially repeated.**

- (G) Restrictive Endorsement – Checks were not restrictively endorsed immediately upon receipt.

Recommendation – To safeguard collections, checks should be restrictively endorsed immediately upon receipt and deposited on a timely basis.

**Current Status – Corrected. During the period reviewed, the City restrictively endorsed checks upon receipt.**

- (H) Accounting Policy and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

**Current Status – Not corrected. The recommendation is repeated.**

City of Pleasant Plain

Report on the Status of Periodic Examination Findings and Recommendations

For the period March 1, 2016 through August 31, 2016

- (I) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the public works function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Current Status – Not corrected. Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the public works function. The recommendation is repeated.**

- (J) Questionable Disbursements – During the year, \$58 was disbursed for funeral flowers. This disbursement 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.

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

**Current Status – Corrected. For the period reviewed, no similar disbursements were noted.**

- (K) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings, including a list of claims, a summary of receipts, total disbursements by fund, a summary of ordinances or amendments adopted and annual individual gross salaries, be posted within fifteen days of the meeting. Two of the four meeting minutes tested were not properly posted within fifteen days of the meeting. Also, none of the posted minutes tested included a summary of receipts and a list of disbursements by fund. Additionally, a list of claims and descriptions were not included in the posted minutes prior to September 2014.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa. The City should ensure the minutes, list of claims, summary of receipts, total disbursements by fund, summary of ordinances or amendments adopted and annual individual gross salaries are posted as required.

**Current Status – Partially corrected. For the period reviewed, four of four meeting minutes were properly posted within fifteen days of the meeting and included a list of claims allowed and a summary of receipts. However, the posted minutes tested did not include total disbursements by fund. The recommendation is partially repeated.**

City of Pleasant Plain

Report on the Status of Periodic Examination Findings and Recommendations

For the period March 1, 2016 through August 31, 2016

- (L) Investment Policy – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, 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 – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. Additionally, a resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

**Current Status – Partially corrected. While the City adopted a depository resolution, the resolution did not include amounts sufficient to cover anticipated balances. The City has not adopted a written investment policy, as required. The recommendation is partially repeated.**

- (M) Payroll Returns and Taxes – Wages were not reported on IRS Forms W-2 and 941. Additionally, IRS Form 1099 was not prepared for contract labor paid in excess of \$600.

Additionally, the City pays both the employer's and the employee's share of the City Clerk's IPERS.

Recommendation – The City should ensure all payroll tax returns and Form 1099 are properly completed and filed. The City should withhold and remit the employee's share of the City Clerk's IPERS contribution. The City should seek reimbursement from the City Clerk for the employee's share of IPERS contributions previously paid by the City.

**Current Status – Partially corrected. For the period reviewed, the City did not pay the employee share of IPERS. However, the City has not sought reimbursement from the City Clerk for the employee's share of IPERS contributions previously paid by the City. Also, the City did not report wages on IRS Forms W-2 and 941 and IRS form 1099 was not prepared for contract labor paid in excess of \$600. The recommendation is partially repeated.**

- (N) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

**Current Status – Not corrected. The recommendation is repeated.**

City of Pleasant Plain

Report on the Status of Periodic Examination Findings and Recommendations

For the period March 1, 2016 through August 31, 2016

**Additional Finding as a Result of Follow-up Procedures:**

- (O) Annual Financial Report – The City’s 2015 Annual Financial Report (AFR) total receipts and ending balances do not agree with the City records.

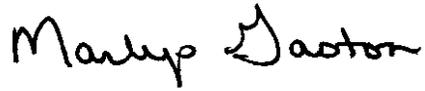
Recommendation – The City should ensure receipts, disbursements and ending fund balances reported on the AFR agree with the City’s records.

City of Pleasant Plain

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Chad C. Lynch, Staff Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA  
Director