



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

June 23, 2017

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Plymouth, Iowa for the period July 1, 2015 through June 30, 2016. 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 and establish procedures to reconcile utility billings, collections and delinquent accounts for each billing period. The City should also ensure the general ledger is reconciled to bank account balances monthly and financial activity and balances of all City accounts, including the Betterment Committee and the Park and Recreation Board, are included in the City's accounting records.

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 <https://auditor.iowa.gov/reports/1622-0147-BLOF>.

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CITY OF PLYMOUTH

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

**FOR THE PERIOD
JULY 1, 2015 THROUGH JUNE 30, 2016**

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City of Plymouth

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark Harrington	Mayor	Jan 2016
Cecil Kuhlert	Council Member	Jan 2016
Jeff Robak	Council Member	Jan 2016
Eric Abundis	Council Member	Jan 2018
Amy Berding	Council Member	Jan 2018
Gary Clark	Council Member	Jan 2018
Alicia Fischer	City Clerk/Treasurer	(Resigned Jan 2016)
Aaron Murphy	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Vrieze	Mayor	Jan 2018
Eric Abundis	Council Member	Jan 2018
Amy Berding	Council Member	Jan 2018
Gary Clark	Council Member	Jan 2018
Wade Eastman	Council Member	Jan 2020
Jeff Robak	Council Member	Jan 2020
Sonja Dasch-Lawson (Appointed Feb 2016)	City Clerk/Treasurer	(Resigned Oct 2016)
Ashley Martin (Appointed Nov 2016)	City Clerk/Treasurer	Indefinite
Aaron Murphy	Attorney	Indefinite

City of Plymouth



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Independent Accountant's Report on Applying Agreed-Up 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 Plymouth for the period July 1, 2015 through June 30, 2016. The City of Plymouth'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 2016 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.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Plymouth, 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 Plymouth and other parties to whom the City of Plymouth 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 Plymouth 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

December 15, 2016

Detailed Recommendations

City of Plymouth

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

(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) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
- (3) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Debt – recordkeeping and debt payment processing.
- (5) Computer system – performing all general accounting functions and controlling all data input and output.
- (6) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (7) Disbursements – purchasing, invoice processing, check writing, reconciling and recording.
- (8) Payroll – recordkeeping, signing, preparing and distributing.
- (9) Utilities – billing, collecting, depositing, posting and entering utility rates into the system.
- (10) Journal entries – preparing and recording.

For the Betterment Committee, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash – handling, reconciling and recording.

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 – Cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances for the months of December 2015 through June 2016. For the month reviewed, June 2016, the bank and investment balance was \$9,863 less than the balance sheet report (general ledger) balance. In addition, the bank reconciliations performed in July through November were not reviewed by an independent person.

Recommendation – The City should establish procedures to ensure the general ledger is reconciled to the bank and investment account balances monthly. Variances, if any, should be reviewed and resolved timely. In addition, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

City of Plymouth

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (C) City Clerk's Monthly Report – A monthly City Clerk's report, including a summary of receipts, disbursements and ending balances by fund, was not prepared for the months of December 2015 through June 2016. For the month of November 2015, the receipts in the City Clerk's report did not agree with the City's general ledger by \$4,145, including Road Use Tax Fund receipts of \$2,734, and the summary page did not agree with the supplemental report of receipts and disbursements. Additionally, for the months when a City Clerk's report was prepared, the City Council did not review the report.

Recommendation – The City Clerk should prepare monthly City Clerk's reports which include a summary of receipts, disbursements and ending balances by fund. Procedures should be established to ensure receipts in the monthly reports agree to the general ledger and the supplemental information supports the summary page. The City Council should review and approve the City Clerk's report monthly.

- (D) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures..." The fiscal year 2016 Annual Financial Report (AFR) did not accurately report the beginning and ending fund balances. The balances did not agree with the general ledger or the reconciled bank balances.

Also, sales tax receipts of \$159 for the General Fund and \$384 for the Proprietary Funds were not reported and a transfer of \$20,420 from the General Fund to the Enterprise, Water Fund was included in both "Charges for Services" and "Transfers In", overstating receipts. The commercial/industrial tax replacement for the Debt Service Fund was incorrectly reported in the Capital Projects Fund.

In addition, although the AFR was presented to the City Council, it was not formally approved.

Recommendation – The City should establish procedures to ensure the AFR, including the beginning and ending fund balances, is accurate and supported. Additionally, the City should ensure receipts included in future AFRs are supported by the City's records. An independent person should review the report for accuracy and the report should be reviewed and approved by the City Council.

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled for the period January 2016 through June 2016 and a delinquent account listing was not prepared monthly. For the period July 2015 to December 2015, utility reconciliations were not supported by underlying reports and differences were not investigated and resolved in a timely manner. For one month reviewed, September 2015, the calculated delinquent amount was \$1,005 less than the amount reported on the delinquent account listing. The utility reconciliations for July through December were not reviewed by an independent person.

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review.

City of Plymouth

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (F) Separately Maintained Records – The Betterment Committee and the Park and Recreation Board maintain bank accounts for activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis.

- (G) Investments – An accounting record/register is not maintained for each investment. The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – An accounting record/register should be maintained for each investment which includes the cost, description, date purchased, interest rate, maturity date and identifying number. Also, the City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (H) Petty Cash Fund – The petty cash fund did not reconcile to the established amount by \$53 and authorization for the petty cash fund could not be located. Additionally, the petty cash fund was not included in the City accounting records and resulting fund balances.

Recommendation – To provide better control and overall accountability, the petty cash fund should be reconciled to the established amount and variances should be reviewed and resolved timely. Additionally, Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City funds and accounts, including petty cash, should be included in the City Clerk’s accounting system.

- (I) Payroll – Four of five time sheets tested did not include evidence of supervisory review. Employee vacation and compensatory time hours and wage and withholding rates entered into the payroll system are not reviewed by an independent person. Also, annual salary increases were approved based upon a percentage and the actual approved wages were not documented in the City Council minutes.

Recommendation – All time sheets and vacation and compensatory time should be reviewed and approved by supervisory personnel prior to processing payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review. Salaries of employees should be adequately documented in the City Council minutes and procedures should be established to ensure approved payroll rates entered in the system are reviewed by an independent person.

City of Plymouth

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (J) 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.

- (K) City Council Meeting Minutes – Although minutes of City Council proceedings were published, the publication did not always include a summary of receipts, total disbursements by fund and a list of claims allowed as required by Chapter 372.13 (6) of the Code of Iowa. Also, two of four meetings tested were not properly signed as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should publish a summary of receipts, total disbursements by fund and a list of claims allowed, as required. Also, meeting minutes should be properly signed, as required.

- (L) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the business type activities function prior to the budget amendment. Disbursements at year end exceeded the amounts budgeted in the culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuous 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.

- (M) Deposits – Two deposits could not be traced to the general ledger for the month of April 2016. Additionally, total receipts per the general ledger for the month of April 2016 were \$1,134 less than deposits.

Recommendation – The City should establish procedures to ensure receipts are properly recorded.

- (N) Disbursements – Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for four transactions tested could not be located. Approval of payments is not documented by the signature or initials of the reviewer and the date of review on the supporting documentation and three invoices were not approved by the City Council. In addition, two disbursements were not properly classified by function.

Recommendation – All disbursements should be supported by invoice or other supporting documentation. Payment approval should be documented by the signature or initials of the reviewer and the date of review on the supporting documentation and all invoices should be approved by the City Council. All disbursements should be properly classified by function.

City of Plymouth

Detailed Recommendations

For the period July 1, 2015 through June 30, 2016

- (O) Financial Condition – At June 30, 2016, the City had the following deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Debt Service	\$ 6,192
Enterprise: Water	2,042

Recommendation – The City should take immediate steps to reduce and eventually eliminate these deficits to return the funds to a sound financial condition.

- (P) Prenumbered Receipts – Prenumbered receipts were not issued and retained for all collections.

Recommendation – Prenumbered receipts should be issued for all collections and a copy retained. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

- (Q) Payroll Withholding Taxes – Employee payroll taxes withheld and the related employer contributions were not properly processed and transmitted to the appropriate agencies timely. At June 2016, \$3,026 of payroll taxes had not been properly transmitted.

Recommendation – Both employee and employer payroll taxes should be submitted to the appropriate agency timely.

- (R) Official Depositories – A resolution naming official depositories has been adopted by the City Council, however, maximum deposit amounts for each depository were not included in the resolution as required by Chapter 12C.2 of the Code of Iowa.

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

City of Plymouth

Staff

This engagement was performed by:

Katherine L. Rupp, CPA, Manager
Erin J. Sietstra, Staff Auditor
Libby C. Lamfers, Assistant Auditor


Marlys K. Gaston, CPA
Director