



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

November 13, 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 Plano's Periodic Examination Report dated November 5, 2015. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period June 1, 2016 through March 31, 2017.

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. The City corrected five of the fourteen findings, partially corrected four of the fourteen findings and five of the findings are reported as "not corrected". Four additional findings identified during the follow-up procedures are also included in this report.

A copy of the City of Plano'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/1522-0023-EPFP>.

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CITY OF PLANO

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

**FOR THE PERIOD
JUNE 1, 2016 THROUGH MARCH 31, 2017**

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City of Plano

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Richard Gorden	Mayor	Jan 2016	Jan 2018
Rhonda Bland	Council Member	Jan 2016	Jan 2018
Wendell DeVore	Council Member	Jan 2016	Jan 2018
Willa Dobbs	Council Member	Jan 2016	Jan 2018
Nancy Jones	Council Member	Jan 2016	Jan 2018
Emma Leopard	Council Member	Jan 2016	Jan 2018
Margaret Wells	City Treasurer		Indefinite
Marilyn Gorden	City Clerk		Indefinite
Debra George	City Attorney		Indefinite

City of Plano



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**Independent Accountant's Report on the Status of Periodic
Examination Findings and Recommendations**

To the Honorable Mayor and Members of the City Council:

A Periodic Examination Report dated November 5, 2015 was prepared by the firm Martin P. Brown, CPA, on the City of Plano, Iowa covering the period August 1, 2014 through July 31, 2015 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 date November 5, 2015 and the current status of the City's implementation of the recommendations included in that report. It also includes additional findings and recommendations for other issues identified during our follow-up procedures. This report covers the period June 1, 2016 through March 31, 2017.

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.

The purpose of this report is to report on the current status of the City's implementation of the recommendations included in the Periodic Examination Report dated November 5, 2015. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Plano 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

October 17, 2017

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

City of Plano

Report on the Status of Periodic Examination Findings and Recommendations

For the Period June 1, 2016 through March 31, 2017

Findings Reported in the Periodic Examination Report dated November 5, 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, recording and reconciling.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Financial Reporting – preparing and reconciling.
- (6) Journal Entries – preparing and journalizing.

Recommendation – Segregation of duties is difficult with a limited number of employees. However, the City should periodically review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. The independent review procedures set up by the City, including reviews of reports by the Mayor and City Council, should be monitored to ensure continued compliance.

Current Status – Not corrected. The recommendation is repeated. In addition see finding (P).

- (B) Bank Reconciliations – Bank reconciliations are not being completed. General ledger amounts are traced directly to the ending bank statement amount. Investments are not reconciled. Balances are not presented on a clerk's report.

Recommendation – The Clerk's report and bank reconciliation should be presented to the City Council for approval each month.

Current Status – Partially corrected. During the period reviewed, the City included the checking account balance on the monthly City Clerk's report however, the reports did not consistently include investments. In addition, for the period reviewed, the City did not perform bank reconciliations. We performed reconciliations for the months ended June 30, 2016 and March 31, 2017 and found fund balances were overstated by \$195 and understated by \$130, respectively. The recommendation is partially repeated.

- (C) Timing of Fiscal Year End – Year-end is completed on the last day of the July bank statement, usually around July 25, instead of June 30. As a result, most July transactions are being reported in the prior fiscal year.

Recommendation – Procedures for reporting transactions should be reviewed to ensure all transactions are reported in the correct fiscal year.

City of Plano

Report on the Status of Periodic Examination Findings and Recommendations

For the Period June 1, 2016 through March 31, 2017

Current Status – Not corrected. The Annual Financial Report for the period ended June 30, 2016 included \$818 of disbursements for July 2016. The recommendation is repeated.

- (D) Deposits and Investments – Depository Resolution – A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12.C.2 of the Code of Iowa.

Recommendation – The City Council should, by resolution, approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12.C.2 of the Code of Iowa.

Current Status – Partially corrected. The City Council approved a depository resolution on July 4, 2016 however, the new resolution did not include a maximum amount for deposit, as required. The recommendation is partially repeated.

- (E) Deposits and Investments – Investment Policy – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. Per the agreed upon procedures engagement, no investments were noted to be out of compliance with Code provisions.

Recommendation – The City should adopt a written investment policy that complies with Chapter 12.B.10B of the Code of Iowa.

Current Status – Corrected. The City adopted an investment policy on July 4, 2016.

- (F) 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 for its checking account nor does it receive images of its deposit tickets.

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

Current Status – Partially corrected. The bank began sending a copy of the front and back of each redeemed check with the August 2016 statement. However, the statements do not include images of the deposit slips. The recommendation is partially corrected.

- (G) Documentation of Utility Expenditures – The City is not maintaining documentation of utility bills paid. These are paid by a coupon book.

Recommendation – The City should retain copies of payment coupons as evidence of City expenditures paid.

Current Status – Corrected. During the period reviewed, the City retained copies of payment coupons.

City of Plano

Report on the Status of Periodic Examination Findings and Recommendations

For the Period June 1, 2016 through March 31, 2017

- (H) Reporting of Delinquent Utility Bills Assessed to City – The City's sewer is maintained by ADLM. Delinquent bills are assessed to the City for payment. While the minutes comment on discussion of delinquent bills, no listing of delinquent bills is maintained.

Recommendation – A listing of delinquent bills assessed to the City and actions taken regarding delinquent bills should be documented and reviewed by the City Council and documentation retained by the City.

Current Status – Corrected. During the period reviewed, the City maintained a monthly listing of delinquent bills.

- (I) City Council Minutes – None of the City Council minutes tested were signed by the City Clerk.

Recommendation – Iowa Chapter 380.7 requires the City Clerk to sign minutes of all City Council meetings.

Current Status – Corrected. During the period reviewed, the City Council minutes were signed by the City Clerk.

- (J) Reporting of Receipts and Disbursements – The following are not being reported in the City's minutes or in a clerk's report: A summary of receipts, total disbursements from each fund, a comparison of actual to budgeted expenditures, and fund account balances.

Recommendation – A summary of receipts and disbursements from each fund, a comparison of budgeted to actual expenditures and fund account balances should be reported to the City Council as per Chapter 372.13(6).

Current Status – Partially corrected. During the period reviewed, receipts, disbursements and balances were reported in the City Council minutes. However, disbursements and balances by fund and comparisons of disbursements to the certified budget by function were not reported to the City Council. The recommendation is partially repeated.

- (K) Fund Balance Reporting – Annual Financial Report – Total Fund Balance as recorded on the City's Annual Financial Report at June 30, 2015 does not reconcile to the funds held by the City on that date. The Annual Financial Report indicates balances of \$78,561, while funds in the possession of the City at that date is \$100,601, a difference of \$22,040.

Recommendation – The City should establish procedures to ensure reports are accurate and should take action to correct the reports.

Current Status – Not corrected. For the year ended June 30, 2016, the Annual Financial Report reported a balance of \$107,923, while the balance in the general ledger was \$107,728, a difference of \$195. The recommendation is repeated.

- (L) Disbursements Reporting – Annual Financial Report – Road Use receipts totaled \$12,957 on the Annual Financial Report, but totaled \$12,905 on the general ledger.

Recommendation – The City should establish procedures to ensure reports are accurate and should take action to correct the reports.

City of Plano

Report on the Status of Periodic Examination Findings and Recommendations

For the Period June 1, 2016 through March 31, 2017

Current Status – Corrected. The road use tax receipts included on the Annual Financial Report for the period ending June 30, 2016 agreed with the general ledger. However, see additional findings (Q) and (R).

- (M) Certified Budget – Disbursements during the year ended June 30, 2015 totaled \$15,672, exceeding total budgeted expenditures of \$13,670. Road Use expenditures are being reported in the Special Fund, but are not being budgeted in the Special Fund. As a result, which fund was over budget has not been determined.

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

Current Status – Not corrected. For the year ended June 30, 2016, the budget was exceeded in the public safety, public works and culture and recreation functions. Also, road use tax disbursements continue to be budgeted in the General Fund however, they were reported on the Annual Financial Report in a Special Revenue Fund. The recommendation is repeated.

- (N) Chart of Accounts – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 15, 2002.

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

Current Status – Not corrected. The recommendation is repeated.

Additional Findings as a Result of Follow-up Procedures:

- (O) City Council Meeting Minutes – Chapter 21.3 of the Code of Iowa requires the minutes show information sufficient to indicate the vote of each member present. The minutes for the four meetings tested documented “motion carried” but did not include individual votes.

Recommendation – The minutes should show the results of each vote, sufficient to indicate the vote of each member present, as required.

- (P) 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 the recording and reconciling of investments.

Recommendation – Segregation of duties is difficult with a limited number of employees. However, the City should periodically review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. The City should establish independent review procedures and the Mayor and the City Council should monitor the procedures to ensure continued compliance.

City of Plano

Report on the Status of Periodic Examination Findings and Recommendations

For the Period June 1, 2016 through March 31, 2017

(Q) Annual Financial Report – The June 30, 2016 Annual Financial Report reported \$85 held in “non-budgeted internal service funds.” However, the City does not have an Internal Service Fund.

Recommendation – The City should ensure balances are properly reported on the Annual Financial Report.

(R) General Ledger Posting – During the period reviewed, the City entered a receipt collected via an electronic funds transfer in the receipts register for \$100 less than the amount received.

Recommendation – The City should ensure all receipts are properly entered into the receipts register. An independent person should periodically trace receipts to the receipts ledger to ensure receipts are properly recorded.

City of Plano

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Manager
Dorothy O. Stover, Senior Auditor II



Marlys K. Gaston, CPA
Director