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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

May 17, 2018

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Plymouth, Iowa for the period July 1, 2016 through June 30, 2017. 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/1722-0147-BLOF>.

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CITY OF PLYMOUTH
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2016 THROUGH JUNE 30, 2017

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City of Plymouth

Officials

<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	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, 2016 through June 30, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Plymouth's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and 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 2017 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 examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. 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 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

April 30, 2018

Detailed Recommendations

City of Plymouth

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

(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 and the Betterment Committee should review their 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) Monthly City Clerk's Report – The monthly City Clerk's reports to the City Council included a list of claims for the month, but did not include a summary of beginning balances, receipts, disbursements, transfers and ending balances by fund. Also, a comparison of actual disbursements to the certified budget by function was not included.

Recommendation – For better financial information, the monthly reports should include the beginning balances, receipts, disbursements, transfers and ending balances for each fund. Also, to provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the City Clerk's monthly financial reports to the City Council should include comparisons of total disbursements for all funds to the certified budget by function.

City of Plymouth

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (C) Annual Financial Report – The total fund balance of \$322,716 reported in the fiscal year 2017 Annual Financial Report (AFR) was \$7,192 more than the City’s general ledger balance.

The City included a federal grant receipt of \$10,063 on the AFR that was not reflected in the City’s general ledger and charges for service receipts were \$144 less than recorded in the City’s general ledger. Bank fees of \$544 were not included in the general government function. In addition, activity for the Betterment Committee and the Parks and Recreation Board was not included in the AFR or the budget.

Recommendation – The City should establish procedures to ensure the AFR, including the beginning and ending fund balances and receipts, are accurate and are supported by the City’s records. The AFR should include activity for all City accounts.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – While the City attempted to reconcile utility billings, collections and delinquent accounts monthly, the reconciliations did not calculate a delinquent balance and compare that amount to the delinquent listing. Additionally, the billings amount included in the reconciliations was for the following month billed and not the billings for the collections being reconciled. Since a calculation of delinquent balance was not performed, differences were not investigated and resolved in a timely manner. Also, the utility reconciliations were not reviewed by an independent person.

Recommendation – As part of the reconciliation process, the City should ensure the correct billings are reconciled to collections for those billed amounts. Additionally, a calculation of delinquent accounts should be made and compared to the listing of delinquent accounts. Any differences should be investigated and resolved in a timely manner. The City Council or other independent person designated by the City Council should review the reconciliations and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (E) 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.

- (F) Investments – An accounting record/register is maintained for each investment. However, earnings are not kept current and balances are not reconciled to bank records.

Recommendation – To properly account for investments, the accounting record/register should include all earnings and should be reconciled to bank statements.

City of Plymouth

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (G) 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’s 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.

- (H) 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.

- (I) City Council Meeting Minutes – The following were identified:

- (1) Although minutes of City Council proceedings were published, the publications did not always include a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.
- (2) The City Council went into closed session on February 2, 2017 to discuss employee evaluations. The closed session was not in compliance with Chapter 21.5 of the Code of Iowa since the session was not closed by affirmative vote of least two-thirds of the members and the City Council did not document the employee(s) had requested the closed session.
- (3) One of four meetings tested was not properly signed as required by Chapter 380.7 of the Code of Iowa.
- (4) Chapter 372.13(6) of the Code of Iowa requires minutes of all the City Council proceedings be published in a newspaper of general circulation within fifteen days of the meeting. One out of four meetings tested was not published timely and one meeting was posted on the City’s web page, but was not published in a newspaper of general circulation.

Recommendation – A summary of receipts should be published, as required. Minutes for closed meetings held under Chapter 21.5(i) of the Code of Iowa should be closed by a documented affirmative vote of at least two-thirds of the Members and should document the employee requested the closed session. Also, meeting minutes should be properly signed and the City should comply with the Code of Iowa and publish City Council meeting minutes in a newspaper of general circulation within fifteen days of the meeting, as required.

City of Plymouth

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (J) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the public safety and culture and recreation functions prior to the budget amendment. Disbursements at year end exceeded the amounts budgeted in the public safety, public works and general government 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.

- (K) Disbursements – Four disbursements tested, including three for the Betterment Committee, were not approved by the City Council.

Recommendation – All disbursements should approved by the City Council prior to payment.

- (L) 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 2017, \$844 of payroll taxes from fiscal year ending June 30, 2016 had not been properly transmitted.

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

- (M) 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 including amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council, as required.

- (N) Journal Entry Documentation – One of three journal entries tested was not approved by an independent person.

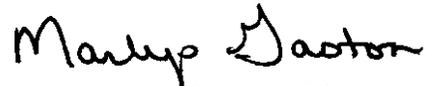
Recommendation – Journal entries should be approved by an independent person and evidence of the approval should be documented.

City of Plymouth

Staff

This engagement was performed by:

Katherine L. Rupp, CPA, Manager
Erin J. Sietstra, Senior Auditor
McKenzie M. Anderson, Assistant 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