



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

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NEWS RELEASE

FOR RELEASE

October 24, 2018

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Panorama Park, Iowa for the period April 1, 2017 through March 31, 2018. 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 ensure bank reconciliations include investment accounts and are prepared timely. The City should also ensure utility reconciliations are reviewed monthly. In addition, the City should adopt a written investment policy and a resolution naming official depositories in accordance with the Code of Iowa.

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://www.auditor.iowa.gov/reports/audit-reports/>.

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CITY OF PANORAMA PARK
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2017 THROUGH MARCH 31, 2018

Table of Contents

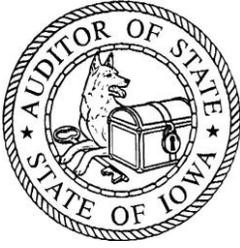
	<u>Page</u>
Officials	3
Independent Accountant’s Report on Applying Agreed-Upon Procedures	5-6
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 8
Investments	B 8
Bank Reconciliations	C 8
Monthly City Clerk’s Report	D 8
Financial Reporting	E 9
Reconciliation of Utility Billings, Collections and Delinquent Accounts	F 9
Disbursements	G 9
Delinquent Utility Billing Late Fees	H 9
City Council Meeting Minutes	I 9
Deposits and Investments	J 9
Receipts	K 10
Certified Budget	L 10
Payroll	M 10
Surety Bond Coverage	N 10
Staff	11

City of Panorama Park

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Ronald D. Rice	Mayor	Jan 2018	Jan 2020
David White	Council Member	Jan 2018	Jan 2020
Beth Elmore	Council Member	Jan 2018	Jan 2020
Jacque Krause	Council Member	Jan 2018	Jan 2020
Mandi Lauritzson	Council Member	Jan 2018	Jan 2020
Shawn Rice	Council Member	Jan 2018	Jan 2020
Vacant	City Clerk/Treasurer		Indefinite
Jeffrey C. McDaniel	Attorney		Indefinite

City of Panorama Park



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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 Panorama Park for the period April 1, 2017 through March 31, 2018, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Panorama Park'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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 Panorama Park 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

October 11, 2018

Detailed Recommendations

City of Panorama Park

Detailed Recommendations

April 1, 2017 through March 31, 2018

(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) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (7) Journal Entries – preparing and journalizing.

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) Investments – An accounting register is not maintained for each investment.

Recommendation – A register should be maintained for each investment which includes cost, description, date purchased, interest rate, maturity date and identifying number.

(C) Bank Reconciliations – Bank reconciliations are prepared for the City’s checking and saving accounts. However, the investment accounts were not included in the bank reconciliations. In addition, bank reconciliations were not prepared timely and were not reviewed by an independent person.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should include all certificate of deposit and other accounts. The reconciliations should be prepared timely and should be reviewed by an independent person. The review should be documented by the signature or initials of the reviewer and the date of the review. Variances, if any, should be reviewed and resolved timely.

(D) Monthly City Clerk’s Report – The monthly City Clerk’s reports presented to the City Council for approval do not include beginning and ending fund balances for each fund. The reports also do not include a comparison of actual disbursements to the certified budget by function. For two months reviewed, the City Clerk’s monthly report balances did not agree with the City’s bank and book balances by \$475 and \$395.

Recommendation – The beginning and ending fund balances and budget to actual information should be included in the monthly City Clerk’s reports presented to the City Council for approval. In addition, the City Clerk’s report balances should agree to the bank and book balance.

City of Panorama Park

Detailed Recommendations

April 1, 2017 through March 31, 2018

- (E) Financial Reporting – The fiscal year 2017 Annual Financial Report (AFR) beginning balances do not match the fiscal year 2016 AFR ending balances. Also, the ending balances on the fiscal year 2017 AFR did not agree to the City’s financial records.

Recommendation – The City should ensure AFR beginning balances match the prior year AFR ending balances and should ensure the AFR balances agree to the City’s financial records.

- (F) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Reconciliations of utility billings, collections and delinquent accounts were not reviewed by an independent person.

Recommendation – Procedures should be established to ensure an independent person or a City Council member review the reconciliations and monitor delinquent accounts each month. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

- (G) Disbursements – Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for three transactions tested could not be located.

Recommendation – All disbursements should be supported by invoice or other supporting documentation.

- (H) Delinquent Utility Billing Late Fees – The former City Clerk did not consistently apply the City’s established procedures for assessing a 10% late fee when delinquent balances were not paid when due.

Recommendation – The City should follow established procedures for assessing a late fee when delinquent balances are not paid when due.

- (I) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be posted within fifteen days of the meeting. Minutes for all meetings reviewed were not posted within fifteen days.

Recommendation – The City should comply with the Code of Iowa and post City Council meeting minutes within fifteen days.

- (J) Deposits and Investments – 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 which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

City of Panorama Park

Detailed Recommendations

April 1, 2017 through March 31, 2018

- (K) Receipts – During the period reviewed, we identified several road use tax (RUT) and local option sales tax (LOST) receipts posted to incorrect funds and account codes. Also, for the period reviewed, the General Fund receipts were overstated by \$1,987 and the Special Revenue, Road Use Fund receipts were understated by the same amount.

Recommendation – The City should transfer \$1,987 from the General Fund to the Special Revenue, Road Use Fund to correct the mis-postings for the period reviewed. The City should also review past RUT and LOST receipts and correct mis-postings, if any.

- (L) Certified Budget – Disbursements for the year ended June 30, 2017 exceeded the amounts budgeted in the public works and business type activities 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 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.

- (M) Payroll – City Council approval of the City Clerk’s salary was not documented in the City Council meeting minutes. Also, the City Clerk did not prepare a timesheet. In addition, the City did not maintain documentation showing all Internal Revenue Service (IRS) Forms 941 were correctly filed. As of May 9, 2018, the first quarter payroll for 2018 had not been reported on IRS Form 941.

Recommendation – The City Council should approve the City Clerk’s salary and the approved salary amount should be recorded in the City Council meeting minutes. Timesheets should be prepared by all employees and should be reviewed and approved by supervisory personnel prior to processing payroll. The City should maintain documentation showing all necessary IRS Forms 941 are filed properly and timely.

- (N) Surety Bond Coverage – Surety bond coverage for City officials and employees was not maintained as required by Chapter 64 of the Code of Iowa.

Recommendation – The City should obtain surety bond coverage in compliance with Chapter 64 of the Code of Iowa and periodically review the coverage for adequacy.

City of Panorama Park

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Manager
Premnarayan Gobin, Staff Auditor
Andrew J. Salwolke, Assistant Auditor


Marlys K. Gaston, CPA
Director