



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ May 1, 2015 \_\_\_\_\_

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Pleasant Plain, Iowa for the period January 1, 2014 through December 31, 2014. 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. The City should also comply with the Code of Iowa by ensuring meeting minutes are posted timely and include a summary of receipts by fund. In addition, the City should amend the budget to ensure disbursements do not exceed budgeted amounts.

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 <http://auditor.iowa.gov/reports/1422-0480-EPOP.pdf>.

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**CITY OF PLEASANT PLAIN**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JANUARY 1, 2014 THROUGH DECEMBER 31, 2014**

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**City of Pleasant Plain**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Pohren	Mayor	Jan 2016
James Dunber (Appointed)	Council Member	Nov 2015
Carl Chandler	Council Member	Jan 2016
Paul Kessel	Council Member	Jan 2016
Donald Pohren	Council Member	Jan 2016
Kay Pohren	Council Member	Jan 2016
Wyverne 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:

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 Pleasant Plain for the period January 1, 2014 through December 31, 2014. The City of Pleasant Plain'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 2014 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 audit of the City of Pleasant Plain, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Pleasant Plain, 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 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 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

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 22, 2015



## **Detailed Recommendations**

City of Pleasant Plain

Detailed Recommendations

For the period January 1, 2014 through December 31, 2014

(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 and journal entries should be documented by the signature or initials of the reviewer and the date of the review.

(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.

(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.

City of Pleasant Plain

Detailed Recommendations

For the period January 1, 2014 through December 31, 2014

- (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.

- (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.

- (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.

- (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.

City of Pleasant Plain

Detailed Recommendations

For the period January 1, 2014 through December 31, 2014

- (H) Accounting Policies 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.

- (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.

- (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.

- (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.

City of Pleasant Plain

Detailed Recommendations

For the period January 1, 2014 through December 31, 2014

- (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.

- (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.

- (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.

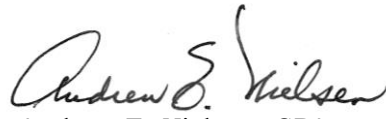
Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

City of Pleasant Plain

Staff

This agreed-upon procedures engagement was performed by:

Ernest H. Ruben Jr., CPA, Manager  
Katherine L. Rupp, CPA, Senior Auditor II



Andrew E. Nielsen, CPA  
Deputy Auditor of State