



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ June 3, 2015 _____

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Mount Ayr, Iowa for the period July 1, 2013 through June 30, 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 establish procedures to ensure bank and investment account balances are reconciled to the general ledger.

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/1421-0758-BL0F.pdf>

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CITY OF MOUNT AYR
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

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
Bank Reconciliations	B	9
Change Fund	C	9
Reconciliation of Utility Billings, Collections and Delinquent Accounts	D	9
Store Credit	E	9
Payroll	F	9-10
Journal Entries	G	10
Tax Increment Financing (TIF)	H	10
Annual Urban Renewal Report	I	10
Separately Maintained Records – Aquatic Center Committee	J	10
Separately Maintained Records – Fire Department	K	10
Official Depositories	L	10
Staff		11

City of Mount Ayr

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Donald B. Solliday	Mayor	Jan 2014
Mack Greene	Council Member	Jan 2014
Brent Ricker	Council Member	Jan 2014
Gerald Cannon	Council Member	Jan 2016
Wes Mathany	Council Member	Jan 2016
Deloris Stutzman	Council Member	Jan 2016
Pamella Poore	City Clerk	Jan 2014
Amanda Cannon	Treasurer	Jan 2014
Richard Wilson	Attorney	Indefinite
<u>(After January 2014)</u>		
Steven D. Fetty	Mayor	Jan 2016
Gerald Cannon	Council Member	Jan 2016
Wes Mathany	Council Member	Jan 2016
Deloris Stutzman	Council Member	Jan 2016
Mack Greene	Council Member	Jan 2018
Brent Ricker	Council Member	Jan 2018
Pamella Poore	City Clerk	Jan 2016
Amanda Cannon	Treasurer	Jan 2016
Richard Wilson	Attorney	Indefinite

City of Mount Ayr



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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 Mount Ayr for the period July 1, 2013 through June 30, 2014. The City of Mount Ayr'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.

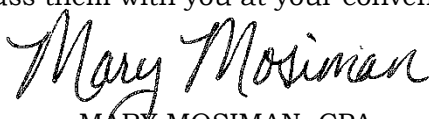
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

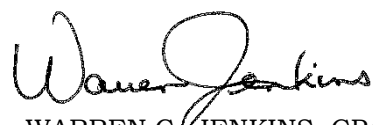
Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Mount Ayr, 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 Mount Ayr, 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 Mount Ayr and other parties to whom the City of Mount Ayr 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 Mount Ayr 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

March 31, 2015

Detailed Recommendations

City of Mount Ayr

Detailed Recommendations

For the Period July 1, 2013 through June 30, 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) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
- (3) Investments – detailed recordkeeping, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities – billing, collecting, depositing, posting and reconciling.
- (6) Debt – recordkeeping and reconciling.
- (7) Disbursements – invoice processing, check writing, reconciling and recording.
- (8) Payroll – recordkeeping, preparing, signing and distributing.
- (9) Computer system – performing all general accounting functions and controlling all data input and output.
- (10) Financial reporting – preparing, reconciling and distributing.

For the Library and the Judge Lewis Aquatic Center 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 its related organizations should review their control activities 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.

City of Mount Ayr

Detailed Recommendations

For the Period July 1, 2013 through June 30, 2014

- (B) Bank Reconciliations – The cash and investment balances in the City’s general ledger were reconciled to bank and investment account balances throughout the year. However, for one of the two months reviewed, bank and book balances did not properly reconcile. The May 2014 reconciliation included an unresolved variance of \$1,130. In addition, the bank reconciliations are not independently reviewed.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and any variances are 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.

- (C) Change Fund – The City maintains separate change and petty cash funds. Authorization for each fund could not be located.

Recommendation – The change and petty cash funds should be formally authorized by the City Council.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled each month throughout the year.

Recommendation – 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 should review the reconciliations, document their review by signing or initialing and dating the reconciliations and monitor delinquent accounts.

- (E) Store Credit – The City has store credit accounts for use by employees while on City business. The City has not adopted a formal policy to regulate the use of store credit accounts and to establish procedures for the proper accounting of store credit charges.

Recommendation – The City should adopt a formal written policy regulating the use of the City’s store credit accounts. The policy, at a minimum, should address who is authorized to use the store credit accounts and for what purposes, as well as the types of supporting documentation required to substantiate charges.

- (F) Payroll – City employees are required to complete time cards. The City Council approves all pay increases. The following were identified:

- Although time cards are maintained for employees, two of six time cards reviewed did not document review or approval by supervisory personnel prior to preparation of the payroll.
- Annual salary increases for all City employees were approved based upon a percentage or monetary increase and the actual approved wages were not documented in the City Council minutes.
- The City Clerk’s wage rate increase for fiscal year 2014 was entered in the payroll system as a 4% increase rather than the 2% increase approved by the City Council. As a result, the City Clerk was overpaid \$811 during the fiscal year.

City of Mount Ayr

Detailed Recommendations

For the Period July 1, 2013 through June 30, 2014

Recommendation – Time cards should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review. Approved salaries and wages of employees should be adequately documented in the City Council minutes. The City should seek reimbursement for the \$811 salary overpayment.

- (G) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

- (H) Tax Increment Financing (TIF) – Interest is not credited to the Special Revenue, Urban Extension TIF Fund as required by Chapter 12C.9 of the Code of Iowa.

Recommendation – The City should credit interest to the TIF Fund as required.

- (I) Annual Urban Renewal Report – For the fiscal year 2013 Annual Urban Renewal Report, the City understated the amount reported as TIF debt outstanding on the Levy Authority Summary by \$22,346. The City reported the outstanding debt as of June 30, 2013 rather than as of June 30, 2012.

Recommendation – The City should ensure amounts reported on the annual urban renewal report Levy Authority Summary agree with the City's records.

- (J) Separately Maintained Records - Aquatic Center Committee – The Judge Lewis Aquatic Center Committee maintains separate accounting records for its operations. These transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget or 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 monthly.

- (K) Separately Maintained Records - Fire Department – The Mount Ayr Fire Department closed and transferred the balance of its checking account to the City in June 2014. Prior to closing the account, payments were made to members of the Fire Department for each member's allotted balance for participation in meetings and calls. The City did not include the payments in taxable wages and did not file Internal Revenue Service (IRS) forms 1099 and W-2 to report the wages.

Recommendation – The City should ensure future member payments are properly processed through payroll and the appropriate IRS forms are completed as required.

- (L) Official Depositories – 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 – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council as required.

City of Mount Ayr

Staff

This agreed-upon procedures engagement was performed by:

Donna F. Kruger, CPA, Manager
Anthony M. Heibult, CPA, Staff Auditor
Kristin R. Volkens, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State