



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ December 1, 2015 \_\_\_\_\_

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Pleasanton, Iowa for the period July 1, 2014 through June 30, 2015. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its internal controls to obtain the maximum control possible and establish procedures to ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting. In addition, the City should comply with Code of Iowa requirements for posting City Council meeting minutes and certifying the annual budget prior to the March 15 deadline.

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/1522-0253-EP0P.pdf>.

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**CITY OF PLEASANTON**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
JULY 1, 2014 THROUGH JUNE 30, 2015**

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**City of Pleasanton**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mary Means*	Mayor	Jan 2016
Cindy Bajikowski	Council Member	Jan 2016
Brett Buttrey	Council Member	Jan 2016
Ann Miller	Council Member	Jan 2016
Mike Newberry**	Council Member	Jan 2016
Kathy Ottaway	Council Member	Jan 2016
J. R. Cornett**	City Clerk/Treasurer	Indefinite

\* Resigned July 2015

\*\* Resigned August 2015

**City of Pleasanton**



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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 Pleasanton for the period July 1, 2014 through June 30, 2015. The City of Pleasanton's management, which agreed to 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 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.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Pleasanton, 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 Pleasanton and other parties to whom the City of Pleasanton 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 Pleasanton 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

September 30, 2015



## **Detailed Recommendations**

City of Pleasanton

Detailed Recommendations

For the period July 1, 2014 through June 30, 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, reconciling and recording.
- (2) Investments – record keeping, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing and recording.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Utilities – collecting, depositing and recording.
- (6) Financial reporting – preparing with no independent review.

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) City Financial Management – The City does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. Fund accounting is required as a means for the City to demonstrate compliance with legal requirements pertaining to the various funding sources of the City including, but not limited to, road use tax and local option sales tax. In addition, the City has not implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation – The City should review the current financial accounting system and establish procedures to require and ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting. In addition, to provide better financial information and control, the recommended COA, or its equivalent, should be followed.

(C) Bank Reconciliations – Book balances were not reconciled to the bank account balances throughout the year and listings of outstanding checks were not prepared.

Recommendation – To improve financial accountability and control, book and bank balances should be reconciled monthly. Variances, if any, should be investigated and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations. A listing of outstanding checks should be prepared monthly.

City of Pleasanton

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

- (D) Monthly Financial Report – Monthly financial reports, including fund balances and comparisons of actual results to budget by function, were not prepared and provided to the City Council for review and approval.

Recommendation – The City should establish procedures to ensure monthly financial reports are prepared and provided to the City Council for review and approval.

- (E) Garbage Billings, Collections and Delinquent Accounts – The City does not maintain records to properly account for garbage billings, collections and delinquent accounts. Based on a comparison of estimated billings for the year to deposits, it does not appear the City is collecting all garbage fees due. Deposits for fiscal year 2015 were approximately \$190 less than the estimated billings.

Recommendation – The City should establish policies and procedures to ensure adequate records are maintained to properly account for garbage billings, collections and delinquent accounts. A listing of delinquent accounts should be prepared monthly and reviewed by the City Council.

- (F) Disbursement Approval – The City Council meeting minutes document approval of claims in total, but a list of claims is not included in the meeting minutes and evidence of approval is not otherwise indicated on the invoices or claims.

Recommendation – Procedures should be established to ensure a list of claims approved by the City Council is included in the meeting minutes.

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

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

- (H) 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.

- (I) Prenumbered Receipts – Prenumbered receipts were not issued for all collections. In addition, receipts are not deposited timely.

Recommendation – Prenumbered receipts should be issued for all collections and should be deposited at least weekly.

City of Pleasanton

Detailed Recommendations

For the period July 1, 2014 through June 30, 2015

- (J) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings in cities with a population of less than 200 be posted in three public places (established by City ordinance) within fifteen days of the meeting. The publications should include total disbursements from each fund, a listing of all claims allowed, the purpose for each claim and a summary of receipts. Minutes for the City Council meetings were not posted in three public places, as required, and the minutes did not include total disbursements from each fund, a listing of claims allowed, the purpose of each claim or a summary of receipts.

Recommendation – The City should comply with the Code of Iowa and post City Council meeting minutes in three public places established by City ordinance, as required. The posted minutes should include total disbursements by fund, a listing of all claims allowed, the purpose for each claim and a summary of receipts.

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

Recommendation – The City should maintain surety bond coverage as required by Chapter 64 of the Code of Iowa.

- (L) Certified Budget – The budgets for fiscal years 2015 and 2016 were not certified to the Iowa Department of Management (IDOM) by March 15, as required. We were unable to determine if the City exceeded the fiscal year 2015 budget since the City does not maintain adequate accounting records. Disbursements are not classified by function to facilitate comparison to the certified budget.

Recommendation – The budget should be certified to the IDOM by March 15, as required. In addition, the City should establish procedures to classify disbursements by function and monitor disbursements to ensure the certified budget is not exceeded.

- (M) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report include a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures.” We were unable to determine the accuracy of receipts, disbursements and fund balances reported in the Annual Financial Report since the City did not maintain financial records to classify receipts by source and fund, disbursements by function and fund or fund balances. In addition, the Annual Financial Report due by December 1, 2014 was not submitted until June 2015.

Recommendation – The City should maintain adequate financial records for completing and supporting the Annual Financial Report. The Annual Financial Report should be completed and submitted timely.

- (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 for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

City of Pleasanton

Staff

This agreed-upon procedures engagement was performed by:

Donna F. Kruger, CPA, Manager  
Karen J. Kibbe, Senior Auditor II

  
Marlys K. Gaston, CPA  
Director