



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ July 28, 2016

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Mount Ayr, 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 control procedures to obtain the maximum internal control possible. The City should also establish procedures to reconcile utility billings, collections and delinquent accounts.

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/1521-0758-BLOF>.

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**CITY OF MOUNT AYR**

**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 Mount Ayr**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</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, 2014 through June 30, 2015. 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 2015 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.

These agreed-upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is the expression of opinion on the City's financial statements or a part thereof. 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

February 25, 2016



## **Detailed Recommendations**

City of Mount Ayr

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 – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
  - (2) Investments – detailed recordkeeping, custody of investments and reconciling earnings.
  - (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
  - (4) Utilities – billing, collecting, depositing, posting and reconciling.
  - (5) Long-term debt – recordkeeping and reconciling.
  - (6) Disbursements – invoice processing, check writing, reconciling and recording.
  - (7) Payroll – recordkeeping, preparing, signing and distributing.
  - (8) Financial reporting – preparing and reviewing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its 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.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not properly reconciled throughout the year. Although the computer system generates a reconciliation report, all amounts in the report are not compared to the utility records to ensure accuracy. In addition, an independent person does not review and approve the reconciliation or adjustments made to accounts.

Recommendation – Procedures should be established to compare amounts on the computer generated reconciliation report to utility records for accuracy. An independent person should review the reconciliations and adjustments and should monitor delinquent accounts. The review of the reconciliation should be documented by the signature or initials of the reviewer and the date of the review.

- (C) Bank Reconciliations – The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, no independent review of the bank reconciliations was performed.

Recommendation – An independent person should review the bank reconciliations and document their review by signing or initialing and dating the reconciliations.

City of Mount Ayr

Detailed Recommendations

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

(D) 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, four of six time cards reviewed did not document review or approval by supervisory personnel prior to preparation of the payroll.
- Annual salary or wage increases for certain City employees were approved based upon a percentage or monetary increase and the approved salary or wage was not documented in the City Council meeting minutes.

Recommendation – Time cards should be reviewed and approved by appropriate supervisory personnel prior to preparation of the 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 meeting minutes.

(E) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the culture and recreation 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.

(F) Disbursements – Invoices and other supporting documentation were not always available to support disbursements. For one disbursement consisting of multiple purchases, 3 out of 28 purchases did not have supporting documentation.

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

(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) Petty Cash – Receipts and other supporting documentation were not always available to support petty cash vouchers. Supporting documentation for one petty cash voucher tested could not be located.

Recommendation – All petty cash vouchers should be supported by receipts or other supporting documentation.

(I) 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.

City of Mount Ayr

Staff

This agreed-upon procedures engagement was performed by:

Donna F. Kruger, CPA, Manager  
Nicole L. Roethlisberger, Staff Auditor  
Adjoa S. Adanledji, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director