



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

September 7, 2017

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released a Report on the Status of Findings and Recommendations on the City of Pleasanton's Periodic Examination Report dated September 30, 2015. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period March 1, 2016 through December 31, 2016.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight. Two of the fourteen findings reported in the Periodic Examination Report dated September 30, 2015 have been corrected and one has been partially corrected. However, eleven of the findings are repeated in this report and are reported as "not corrected". Three additional findings identified during the follow-up procedures are also included in this report.

A copy of the City of Pleasanton's Report on the Status of Periodic Examination Findings and Recommendations 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/1522-0253-EPFP>.

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CITY OF PLEASANTON

INDEPENDENT ACCOUNTANT'S REPORT
ON THE STATUS OF PERIODIC EXAMINATION
FINDINGS AND RECOMMENDATIONS

FOR THE PERIOD
MARCH 1, 2016 THROUGH DECEMBER 31, 2016

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City of Pleasanton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Cindy Bajkowski	Mayor	Jan 2016	Jan 2018
John Burton	Council Member	Jan 2016	Jan 2018
Terri Burton	Council Member	Jan 2016	Jan 2018
Brett Buttrey	Council Member	Jan 2016	Jan 2018
Ellen BATTERY	Council Member	Jan 2016	Jan 2018
Mike Theis	Council Member	Jan 2016	Jan 2018
Amanda Covey	City Clerk/Treasurer		Indefinite

City of Pleasanton



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Independent Accountant's Report on the Status of Periodic
Examination Findings and Recommendations

To the Honorable Mayor and Members of the City Council:

The Office of Auditor of State issued a Periodic Examination Report dated December 1, 2015 on the City of Pleasanton, Iowa covering the period July 1, 2014 through June 30, 2015 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report dated December 1, 2015 and the current status of the City's implementation of the recommendations included in that report. It also includes additional findings and recommendations for other issues identified during our follow-up procedures.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Many of the findings included in this report indicate the City Council needs to exercise additional fiduciary oversight.

Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

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 follow-up procedures. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

February 9, 2017

**Report on the Status of Periodic Examination
Findings and Recommendations**

City of Pleasanton

Report on the Status of Periodic Examination Findings and Recommendations

For the Period March 1, 2016 through December 31, 2016

Findings Reported in the Periodic Examination Report dated December 1, 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.

Current Status – Not corrected. The recommendation is repeated. In addition, the duties of payroll recordkeeping, preparation and distribution are not adequately segregated.

(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.

Current Status – Not corrected. The recommendation is repeated.

City of Pleasanton

Report on the Status of Periodic Examination Findings and Recommendations

For the Period March 1, 2016 through December 31, 2016

- (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.

Current Status – Not corrected. The recommendation is repeated.

- (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.

Current Status – Not corrected. The recommendation is repeated.

- (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.

Current Status – Not corrected. For the period reviewed, the City maintained a chart indicating if customers had paid monthly bills. However, the chart did not include the date or amounts paid. As a result, we were unable to determine the reasonableness of the amounts deposited. The recommendation is repeated.

- (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.

Current Status – Partially corrected. For the period reviewed, a listing of claims approved was included with the minutes record. However, the listing was not always complete or the amount listed did not always agree with the amount paid. Four of five disbursements tested were not properly approved by the City Council. The recommendation is repeated.

City of Pleasanton

Report on the Status of Periodic Examination Findings and Recommendations

For the Period March 1, 2016 through December 31, 2016

- (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.

Current Status – Corrected. During the period reviewed, the disbursements tested were properly supported.

- (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.

Current Status – Not corrected. The recommendation is repeated.

- (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.

Current Status – Not corrected. The recommendation is repeated.

- (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.

Current Status – Not corrected. During the period reviewed, the City indicated the minutes were posted in three public locations. However, evidence was not available to document the postings. Also, 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. The recommendation is repeated. In addition, see finding (O).

City of Pleasanton

Report on the Status of Periodic Examination Findings and Recommendations

For the Period March 1, 2016 through December 31, 2016

- (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.

Current Status – Corrected. The City currently has surety bond coverage.

- (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.

Current Status – Not corrected. During the period reviewed, the 2017 budget was not certified to IDOM by March 15, and we were unable to determine if the City exceeded the fiscal year 2016 budget since the City does not maintain adequate accounting records. The recommendation is repeated.

- (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.

Current Status – Not corrected. During the period reviewed, the fiscal year 2016 Annual Financial Report (AFR) was not submitted until December 20, 2016. In addition, the receipt and disbursement amounts reported on the fiscal year 2016 AFR were the same as the amounts reported on the fiscal year 2015 AFR. The recommendation is repeated. In addition, each AFR should reflect the activity for the correct fiscal year.

- (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.

Current Status – Not corrected. The recommendation is repeated.

City of Pleasanton

Report on the Status of Periodic Examination Findings and Recommendations

For the Period March 1, 2016 through December 31, 2016

Additional Findings as a Result of Follow-up Procedures:

- (O) City Council Meeting Minutes – Chapter 380.7 of the Code of Iowa requires minutes of all City Council proceedings to be signed by the City Clerk. During the period reviewed, the minutes are not signed by the City Clerk. In addition, the minutes do not show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

Recommendation – The City should ensure City Council meeting minutes are signed, as required. In addition, the minutes should document information sufficient to indicate the vote of each member present to comply with the Code of Iowa.

- (P) Wage Reporting – City officials did not issue Internal Revenue Service (IRS) Forms 1099 for calendar year 2016.

Recommendation – An IRS Form 1099 should be issued for independent contractors receiving over \$600 from the City. Required wage reporting forms should be prepared, submitted and copies should be retained by the City.

- (Q) Retirement Benefits – Because part-time City officials have elected to not participate in the Iowa Public Employees' Retirement System (IPERS), the officials must participate in Social Security (FICA). During the period reviewed, the City and City officials did not make contributions to either IPERS or FICA.

Recommendation – The City should contact the Internal Revenue Service to determine the disposition of this matter.

City of Pleasanton

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II


Marlys K. Gaston, CPA
Director