



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

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NEWS RELEASE

Contact: Michelle Meyer
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FOR RELEASE

May 11, 2022

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Pacific Junction, Iowa, for the period April 1, 2020 through March 31, 2021. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported ten findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 11 of this report. The findings address issues such as a lack of segregation of duties, the lack of reconciliations of utility collections, disbursements exceeding budgeted amounts and the lack of fund transfer resolutions. Sand provided the City with recommendations to address each of the findings.

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.

A copy of the agreed-upon procedures report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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CITY OF PACIFIC JUNCTION
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2020 THROUGH MARCH 31, 2021

City of Pacific Junction



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Rob Sand
Auditor of State

April 13, 2022

Officials of the City of Pacific Junction
Pacific Junction, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the agreed-upon procedures report for the City of Pacific Junction, Iowa, for the period April 1, 2020 through March 31, 2021. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and 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.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Pacific Junction throughout the agreed-upon procedures engagement. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

Table of Contents

	<u>Page</u>
Officials	3
Auditor of State's Independent Report on Applying Agreed-Upon Procedures	5-7
Detailed Findings and Recommendations:	<u>Finding</u>
Segregation of Duties	A 9
Bank Reconciliations	B 9
Reconciliation of Utility Billings, Collections and Delinquent Accounts	C 9
City Council Meeting Minutes	D 10
Unclaimed Property	E 10
Certified Budget	F 10
Monthly City Clerk's Report	G 10
Interfund Transfers	H 10
Payroll	I 10
Deposits and Investments	J 11
Staff	12

City of Pacific Junction

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Andy Young	Mayor	Jan 2020	Jan 2022
LaFay Brown	Council Member	Jan 2020	Jan 2022
William Green	Council Member	Jan 2020	(Resigned Jun 2020)
Diana Irick	Council Member	Jan 2020	Jan 2022
Kim O'Connor (Appointed Dec 2020)	Council Member	Dec 2020	Nov 2021
Terry Parham	Council Member	Jan 2020	Jan 2022
Connie Turner	Council Member	Jan 2020	Jan 2022
Korrena Nepl	City Clerk/Treasurer		Indefinite
Matt Woods	Attorney		Indefinite

City of Pacific Junction



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Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Pacific Junction for the period April 1, 2020 through March 31, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Pacific Junction's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and 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 City of Pacific Junction's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of 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 observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed 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 scanned 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 observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.

9. We scanned 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. The City had no TIF.
11. We traced selected receipts to accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. We traced selected disbursements to 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 traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

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

We were engaged by the City of Pacific Junction's management to perform this agreed-upon procedures engagement and conducted our engagement 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. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Pacific Junction and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Pacific Junction 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.


Michelle B. Meyer, CPA
Director

April 13, 2022

Detailed Findings and Recommendations

City of Pacific Junction

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

(A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, recording, reconciling, posting and maintaining accounts receivable.
- (3) Disbursements – purchasing, invoice processing, check writing, reconciling and recording.
- (4) Payroll – recordkeeping, preparing and entering rates in the system.
- (5) Debt – record keeping, compliance and debt payment processing.
- (6) Journal entries – preparing and recording.

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) Bank Reconciliations – The cash balances in the City's general ledger were reconciled to bank account balances throughout the year. However, an independent review of the bank reconciliations was not performed.

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

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Glenwood Municipal Utilities (GMU) bills and collects sewer fees on behalf of the City. Although the City receives a summary of collections from GMU each month, the City does not receive a summary of amounts billed or a list of delinquent accounts. As a result, the City is unable to reconcile utility billings, collections and delinquent accounts.

Recommendation – The City should receive a summary of collections, amounts billed and a list of delinquent account each month from GMU. 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 Council should review the reconciliations and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

City of Pacific Junction

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (D) City Council Meeting Minutes – Chapter 380.7(3) of the Code of Iowa requires a summary of all ordinances or the complete text of ordinances and amendments adopted to be published. Minutes for two meetings observed were not published with a summary of ordinances or amendments adopted.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes with a summary of ordinances or the complete text of ordinances and amendments adopted, as required.

- (E) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligation, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit those obligations as required.

Recommendation – Outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State, as required.

- (F) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public safety and capital projects functions. 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.

- (G) Monthly City Clerk’s Report – The monthly City Clerk’s report presented to the City Council for approval does not include beginning and ending fund balances for each fund or a comparison of actual disbursements to the certified budget by function.

Recommendation – The City should ensure the monthly City Clerk’s report presented to the City Council for approval include beginning and ending fund balances for each fund and a comparison of actual disbursements to the certified budget by function.

- (H) Interfund Transfers – Section 545-2 of the Iowa Administrative Code requires “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred.

Transfers were not approved by City Council resolution which included information required by Section 545-2 of the Iowa Administrative Code.

Recommendation – Transfers should be approved by resolution and the resolutions approving all fund transfers should include the information required by Section 545-2 of the Iowa Administrative Code.

- (I) Payroll – Timesheets observed were not approved and initialed by the employee’s supervisor or other responsible official.

Recommendation – Timesheets should be reviewed and approved by the employee’s supervisor or other responsible official who is not involved with payroll.

City of Pacific Junction

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (J) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B 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.

City of Pacific Junction

Staff

This engagement was performed by:

Michelle B. Meyer, CPA, Director
Jennifer L. Wall, CPA, Manager
Luke M. Bormann, CPA, Senior Auditor II
Vivian J. Hustad, Staff Auditor