



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

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**NEWS RELEASE**

Contact: Michelle Meyer  
515/281-5834

**FOR RELEASE**

**October 27, 2022**

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Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Mechanicsville, Iowa, for the period July 1, 2020 through June 30, 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, lack of independent review of bank and utility reconciliations, and a disbursement which did not meet the test of public purpose. Sand provided the City with recommendations to address each of the findings.

Eight of the ten findings discussed above are repeated from the prior year. 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 [Audit Reports – Auditor of State](#).

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**CITY OF MECHANICSVILLE**  
**AUDITOR OF STATE'S INDEPENDENT REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2020 THROUGH JUNE 30, 2021**

**City of Mechanicsville**



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October 24, 2022

Officials of the City of Mechanicsville  
Mechanicsville, 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 Mechanicsville, Iowa, for the period July 1, 2020 through June 30, 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 Mechanicsville 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

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**City of Mechanicsville**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Andrew Oberbreckling	Mayor	Nov 2021
Amy Bishop	Council Member	Jan 2022
Dee Taylor	Council Member	(Resigned May 2021)
Denice Dochterman (Appointed Jul 2020)	Council Member	Nov 2021
Jennifer Lester	Council Member	Jan 2024
Adam Paidar	Council Member	Jan 2024
Laura Yost (Appointed Jun 2021)	Council Member	Nov 2021
Linda Coppess	City Clerk	Indefinite
Adrian Knuth	Attorney	(Resigned Dec 2020)
Jeff Clark (Appointed Jan 2021)	Attorney	Indefinite

**City of Mechanicsville**



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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 Mechanicsville for the period July 1, 2020 through June 30, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Mechanicsville'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 Mechanicsville'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 2021 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
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 Mechanicsville'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 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 Mechanicsville 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 Mechanicsville 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.

A handwritten signature in black ink that reads "Michelle Meyer". The signature is written in a cursive style with a large initial "M".

Michelle B. Meyer, CPA  
Director

October 24, 2022

## **Detailed Findings and Recommendations**

City of Mechanicsville

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 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) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Utilities – billing, collecting, preparing, and posting.
- (5) Debt – recordkeeping, compliance and payment processing.
- (6) Journal entries – preparing and recording.
- (7) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (8) Payroll – recordkeeping, preparing and distributing.

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) Journal Entries – Three of three journal entries observed were not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries and the approval should be documented by the signature or initials of the approver and the date of approval.

(C) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. A certain disbursement was noted we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. This disbursement is detailed as follows:

<u>Paid To</u>	<u>Purpose</u>	<u>Amount</u>
John Deere Financial	Sunglasses	\$ 15

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

City of Mechanicsville

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 2021

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

- (D) Timesheets – Timesheets supporting one of eight payroll payments observed were not approved by the employee. In addition, timesheets completed before February 2021 did not include evidence of supervisory review or approval. Also, one payroll payment to a part time employee for the period May 1, 2020 through September 30, 2020 was not paid until October 2020.

Recommendation – The City should establish procedures to ensure timesheets are signed by the employee, approved by the employee’s supervisor and payroll is paid in a timely manner.

- (E) Bank Reconciliations – Although monthly bank reconciliations were prepared for individual bank accounts, a complete reconciliation, including cash on hand and investments, was not prepared and the reconciled balances were not compared to the City’s general ledger. Also, there was no evidence of review and approval performed by an independent person for one of two bank reconciliations observed. In addition, a listing of outstanding checks was maintained; however, it does not include the payee or check date.

Recommendation – To improve financial accountability and control, comprehensive monthly bank reconciliations, including cash on hand and investments, should be performed and variances between book and bank balances 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 detailed listing of outstanding checks should be maintained which includes the payee and check date.

- (F) Official Depositories – While a resolution naming official depositories has been adopted by the City, the maximum deposit amount stated in the resolution for one bank was exceeded before a new depository resolution was adopted during the year ended June 30, 2021.

Recommendation – A new resolution in an amount sufficient to cover anticipated balances should be adopted by the City before the maximum deposit amount is exceeded.

- (G) City Council Meeting Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings to be published within fifteen days of the meeting. Minutes for one of four meetings observed were not published within 15 days.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required.

- (H) Reconciliation of Utility Billings, Collections, and Delinquent Accounts – Utility billings, collections, and delinquent accounts were not reviewed by an independent person. In addition, utility rates entered into the system are not reviewed and approved by an independent person.

Recommendation – The City Council or other independent person designated by the City Council should review the utility billing reconciliations and monitor delinquent accounts. In addition, an independent person should review utility rates entered into the system to ensure proper utility calculations and billings. All reviews should be documented by the signature or initials of the reviewer and the date of the review.

City of Mechanicsville

Detailed Findings and Recommendations

For the period July 1, 2020 through June 30, 2021

- (I) Credit Card Policy – The City has credit cards and charge accounts for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and charge accounts and to establish procedures for the proper accounting of credit card and charge account charges.

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

- (J) Payroll Rates – Payroll rates entered into the computer system are not reviewed by an independent person.

Recommendation – To improve internal controls, all payroll rates entered on the computer system should be reviewed by an independent person. The review should be documented by the initials or signature of the reviewer and date of the review.

City of Mechanicsville

Staff

This engagement was performed by:

Michelle B. Meyer, CPA, Director  
Gwen D. Fangman, CPA, Manager  
William R. Bamber, CPA, Staff Auditor  
Zachary T. Shaw, Staff Auditor