

**CITY OF PILOT MOUND, IOWA  
INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES  
FOR THE PERIOD  
JULY 1, 2014 THROUGH JUNE 30, 2015**

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# Officials

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| Name                       | Title                | Term Expires   |
|----------------------------|----------------------|----------------|
| <b>Elected Officials</b>   |                      |                |
| Leda Burton                | Mayor                | December, 2015 |
| Sharon Acuff               | Council Member       | December, 2017 |
| Jeffrey Conis              | Council Member       | December, 2017 |
| Deck Crouch                | Council Member       | December, 2015 |
| Michael Heslop             | Council Member       | December, 2015 |
| Sally Lass                 | Council Member       | December, 2015 |
| <b>Appointed Officials</b> |                      |                |
| Julie Hinman               | City Clerk/Treasurer | Indefinite     |

## **Independent Accountant's Report on Applying Agreed-Upon Procedures** —

To the Honorable Mayor and  
Members of the City Council  
City of Pilot Mound, Iowa

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 Pilot Mound for the period July 1, 2014 through June 30, 2015. The City of Pilot Mound'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 2014 Annual Financial Report (AFR) 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 transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 noncompliance were not noted during the performance of the specific procedures listed above.

These agreed-upon procedures did not constitute an audit of the 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 Pilot Mound, 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 Pilot Mound and other parties to whom the City of Pilot Mound may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*HOGAN - HANSEN*

HOGAN - HANSEN

Traer, Iowa  
September 9, 2015

## Detailed Recommendations

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## Detailed Recommendations

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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:

- Accounting System - performing all general accounting functions and having custody of assets.
- Cash - handling, depositing, recording and reconciling.
- Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- Receipts - opening mail, collecting, depositing, journalizing, posting and reconciling.
- Utilities - billing, collecting, depositing, posting, entering rates into the system, maintaining detailed accounts receivable and authorizing and recording write-offs.
- Disbursements - purchasing, invoice processing, check writing, mailing, recording and reconciling.
- Payroll - recordkeeping, preparing, signing and distributing.
- Computer system - performing all general accounting functions and controlling all data input and output.
- Financial Reporting - preparing and reconciling.

**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 evidenced by the signature or initials of the review and the date of review.

(B) **Prenumbered Receipts** - Prenumbered receipts were not issued for all cash collections and an initial listing of collections was not prepared.

**Recommendation** - Prenumbered receipts should be issued for all collections and an initial listing of collections should be prepared. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

(C) **Financial Reporting** - We reviewed the general ledger for fiscal year 2015 and noted savings account balances and activity and certificate of deposit balances and activity were not recorded.

**Recommendation** - The City should establish procedures to ensure that the general ledger is accurate and includes the activity and balances of all City bank accounts and investments.

## Detailed Recommendations

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

(D) **City Council Minutes** - The following were identified:

- Chapter 380.7 of the Code of Iowa requires the clerk to authenticate all measures except motions with a signature. In the four meetings tested, one of the minutes was not signed by the clerk.
- Chapter 21.4 of the Code of Iowa requires proper notice of the time, date and place of each meeting and its tentative agenda at least 24 hours prior to the commencement of any meeting. In the four meetings tested, none of the notices included a tentative agenda.
- The City Council went into a closed session on August 5, 2014. The session was not closed by affirmative roll call vote of at least two-thirds of the members as required by Chapter 21.5 of the Code of Iowa.
- Chapter 372.13(6) of the Code of Iowa requires minutes to include the total disbursements by fund. In the four meetings tested, none of the minutes included total disbursements by fund.
- Chapter 372.13(6) of the Code of Iowa requires the publication of City Council minutes to include a list of claims allowed, including the reason for the claims. In the four meetings tested, none of the minutes included the reason for all the claims.
- Chapter 372.13(6) of the Code of Iowa requires the publication of City Council minutes to include a summary of all receipts. In the four meetings tested, none of the minutes included a summary of all receipts.

**Recommendation** - The City should comply with Chapter 21.4 of the Code of Iowa and include a tentative agenda with the notice of a meeting. The City should also comply with Chapter 21.5 of the Code of Iowa and close the session by affirmative roll call vote of at least two-thirds of the members. In addition, the City should comply with Chapter 372.13(6) of the Code of Iowa and include total disbursements from each fund, the reason for the claims allowed and a summary of all receipts in the City Council minutes, as required.

(E) **Treasurer's Monthly Report** - The May, 2015 Treasurer's report did not properly present the information by fund and transfers were not reported. In addition, the general ledger did not include proper fund balances.

**Recommendation** - The City should establish procedures to ensure that the Treasurer's report is accurate and transfers are included. In addition, the City should establish procedures to ensure the general ledger includes proper fund balances.

(F) **Bank Reconciliations** - The cash and investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year. For the two months reviewed, bank and book balances were not reconciled.

**Recommendation** - The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. In addition, an independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

## Detailed Recommendations

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

- (G) **Deposits** - 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 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.

- (H) **Investment Policy** - 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 that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (I) **Chart of Accounts and Budget** - The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee. In addition, we were unable to determine disbursements by function and compare disbursements to determine whether the amounts were within the budget. We determined disbursements in total exceeded total budgeted expenditures.

**Recommendation** - To provide better financial information and control, the COA or its equivalent, should be followed. In addition, 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.

- (J) **Management Financial Information** - The Clerk's financial reports to the City Council did not include comparisons to the certified budget by function.

**Recommendation** - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function.

- (K) **Annual Financial Report** - Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures..." The City did not retain records of the receipts, disbursements and fund balances for the fiscal year ended June 30, 2014.

**Recommendation** - The City should ensure records of preceding fiscal years are retained in the future.

- (L) **Transfers** - The City transfers money to and from various funds periodically. However, these transfers were not always approved by the City Council.

**Recommendation** - The City Council should approve all fund transfers and document approval and amounts as part of the Council meeting minutes.

- (M) **City Officials' and Clerk's Utility Accounts** - The City did not retain complete deposit documentation to determine who utility payments were received from and for what utilities the payments were made. We were unable trace City officials' billings to collection and deposit to the bank.

**Recommendation** - The City should retain complete deposit documentation in order to determine who utility payments were received from and for what utilities the payments were made.

## Detailed Recommendations

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

- (N) **Local Option Sales Tax (LOST)** - The City did not have a copy of the most recent LOST ballot or revenue purpose statement. In addition, the City has not been tracking the use of LOST receipts.

**Recommendation** - The City should retain a copy of the LOST ballot and revenue purpose statement. In addition, the City should establish a special revenue fund to account for LOST receipts, disbursements and transfers to ensure that LOST receipts are being used in accordance with the ballot.

- (O) **Disbursements** - Supporting documentation was not available for 2 of 30 disbursements tested in the amounts of \$400 and \$1,025. We also noted that the incorrect amount was approved by the City Council for 1 of 30 disbursements tested. In addition, we were unable to determine disbursements were properly classified by function in accordance with the recommended COA because the City has not fully implemented the COA.

**Recommendation** - The City should maintain supporting documentation for all disbursements. In addition, the City should establish procedures to ensure the proper disbursement amounts are provided to the City Council for approval.

- (P) **Electronic Check Retention** - Chapter 554D.114(5) of the Code of Iowa allows the City to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check. The City does not receive an image of the back of each canceled check.

**Recommendation** - The City should obtain and retain images of both the front and back of canceled checks as required by Chapter 554D.114(5) of the Code of Iowa.

- (Q) **Payroll** - We noted all City employees were paid a salary. However, there was no supporting documentation to indicate that the City Council approved the salaries.

**Recommendation** - The City Council should approve all salaries and document that approval and salary amounts as part of the minutes recorded and in each employee's personnel file.

- (R) **Form 1099** - The City should have issued Form 1099s for calendar year 2014, but did not.

**Recommendation** - The City should establish procedures to ensure that Form 1099s are filed.

- (S) **Accounting Policies and Procedures Manual** - The City does not have an accounting policies and procedures manual.

**Recommendation** - An accounting policies and procedures manual should be developed to provide the following benefits:

- Aid in training additional or replacement staff.
- Help achieve uniformity in accounting and in the application of policies and procedures.
- Save supervisory time by recording decisions so they will not have to be made each time the same or similar situation arises.