



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

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TO: CPA Firms  
FROM: Susan Battani  
DATE: October 18, 2004

RE: Public Funds Pledging Program

We have had several questions about how to implement the Cash Audit Program procedure requiring auditors to “determine that the government has insured that all public funds deposits with banks have met the requirements of Chapter 12C.22 of the Code of Iowa (Pledging of Public Funds Program)”. The initial intent of this procedure was to create an “awareness” of the new pledging program requirements.

In a document provided at the May 2004 ISCPA Local Government Update, we included the following:

Recommendation to the Public Entities for control purposes:

- Banks are required to determine whether they should pledge securities on a given day. Lynn Bedford with the Treasurer of State’s office is recommending that banks obtain a schedule of expected receipts for the year from the public entities that deposit with them. This will aid the depositories in determining which days they would most likely be required to pledge throughout the year.
- The public entity should ensure that their bank’s eligibility to accept public funds deposits is not suspended or terminated per the Treasurer of State’s monthly rate setting letter on their website:  
<http://www.treasurer.state.ia.us/rates/public.cfm>

Recent discussion with Lynn confirmed that these recommendations are still applicable and appropriate. However, public entities are protected by the State Sinking Fund and the pledging program is in place to protect banks in the event of a bank failure. Accordingly, **auditors and local governments are not required to and should not be contacting banks regarding compliance with the pledging requirements.**

Lynn also asked us to remind you (and you may wish to remind your clients) that deposit agreements are no longer required. Also, depository resolutions are still required and must be entered into the minutes of the governing body. However, the depository resolutions are no longer required to be filed with the State Treasurer’s office.

We hope this clarification is helpful to you. If you have any questions, please contact our office at 515-281-5834 or Lynn Bedford (515-281-3870 or [lynn.bedford@iowa.gov](mailto:lynn.bedford@iowa.gov)) at the State Treasurer’s office.