



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ April 2, 2014 _____ Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released an examination report on the City of Roland, Iowa for the period July 1, 2012 through June 30, 2013. The examination was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its internal controls to obtain the maximum internal control possible. The City should also ensure monthly and annual financial reports agree with the general ledger and bank balances. In addition, the City should consult legal counsel about the proper disposition of excess tax increment financing receipts held by the City.

A copy of the examination report 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 <http://auditor.iowa.gov/reports/1321-0821-BLOF.pdf>.

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CITY OF ROLAND
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

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City of Roland

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Fritz	Mayor	Jan 2016
Jerry Balmer	Council Member	Nov 2013
Duane Canny	Council Member	Jan 2014
Larry Ford	Council Member	Jan 2016
Brian Hill	Council Member	Jan 2016
Doug Sargent	Council Member	Jan 2016
Jodi Meredith	City Clerk	Indefinite
Janet Olson	Utility Clerk	Indefinite
Thomas C. Wynia	Attorney	Indefinite



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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of the City Council:

We have performed an examination of the City of Roland pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Roland for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

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 2013 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. 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.
8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions to determine whether the debt repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts and disbursements, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.

10. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. 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.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. 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 non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Roland, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Roland, 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 Roland and other parties to whom the City of Roland 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 Roland during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 19, 2013

Detailed Recommendations

City of Roland

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

(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) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Utilities – billing, collecting, depositing, posting, maintaining accounts receivable records and entering rates.
- (4) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and approving hours worked.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing, approving and journalizing.
- (8) Long-term debt – maintaining records and performing cash functions.

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 balances in the City’s general ledger were not properly reconciled to bank and investment account balances throughout the year. The outstanding deposit and check listings generated by the financial system incorrectly included transactions occurring after the end of the month. Also, there is no independent review of the bank reconciliation.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Outstanding deposit and check listings should be prepared to cut-off at month end. Variances, if any, should be reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(C) Financial Reports – Although monthly Clerk’s reports are prepared, the reports do not agree with the general ledger or bank balances. In addition, receipts, disbursements and ending fund balances reported on the Annual Financial Report (AFR) did not agree with the City’s financial records and budget amounts reported on the AFR did not agree with the amended budget.

Recommendation – The City should establish procedures to ensure the monthly Clerk’s reports and Annual Financial Report reconcile to the general ledger and bank balances. In addition, the budget column in the Annual Financial Report should agree with the City’s amended budget.

City of Roland

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (D) Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City had a cash balance of \$39,447 at June 30, 2013 in the Special Revenue, Urban Renewal Tax Increment Fund (TIF Fund). However, the City had no outstanding TIF obligations at that date. Chapter 24.21 of the Code of Iowa requires, when the necessity for maintaining the TIF Fund ceases to exist, the excess balance remaining in the fund, if any, be remitted to the County Treasurer and allocated to the respective taxing districts.

Recommendation – The City should consult legal counsel to determine the disposition of excess monies in the Special Revenue, Urban Renewal Tax Increment Fund. If the City has no further tax increment financing debt, the \$39,447 should be remitted to the County Treasurer in accordance with Chapter 24.21 of the Code of Iowa.

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared monthly. 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, document their review by signing or initialing and dating the reconciliations and monitor delinquent accounts.

- (F) Local Option Sales Tax (LOST) – The City’s LOST ballot requires LOST receipts be used 50% for property tax relief, 25% for capital improvements and 25% for community improvements. The City’s LOST receipts are credited to the General Fund and no documentation is maintained to support how the funds were used or the unspent balances held for the specified purposes.

Recommendation – The City should establish procedures to properly account for LOST receipts, disbursements and balances in accordance with the LOST ballot provisions.

City of Roland

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (G) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brian Hill, City Council Member, father-in-law owns Hall Backhoe and Trenching	Repair and snow removal	\$6,707

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (H) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the culture and recreation, community and economic development, general government and debt service 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.

- (I) Chart of Accounts – The City has not implemented the City Finance Committee’s recommended Uniform Chart of Accounts (COA).

Recommendation – To provide better financial information and consistency, the COA, or its equivalent, should be followed.

- (J) Disbursements – Supporting documents are not furnished to the check co-signer prior to co-signing the checks. Approval of payments is not documented by the signature or initials of the reviewer and the date of review on the supporting documentation. Also, supporting documentation for claims is not cancelled to prevent reuse.

Recommendation – Supporting documents for disbursements should be reviewed by the check signers prior to co-signing checks. Payment approval should be documented by the signature or initials of the reviewer and the date of review on the supporting documentation. In addition, supporting documentation for claims should be cancelled to prevent reuse.

- (K) Payroll – The City Clerk reviews all employees’ work hours reported for reasonableness. However, the City Clerk’s hours are not reviewed by an independent person. Also, an independent person does not review and approve new hire pay rates entered on the computer system.

Recommendation – Procedures should be established to ensure independent review of all employee hours worked. Also, an independent person should review and approve new hire pay rates entered in the computer system.

City of Roland

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (L) Urban Renewal Annual Report (URAR) – The beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the December 1, 2013 Levy Authority Summary of the URAR did not agree with the City’s general ledger. The ending cash balance was reported as \$0 but the actual balance was \$39,447. Also, the receipts and disbursements reported were understated.

Recommendation – The City should ensure cash balances, receipts and disbursements reported on the URAR Levy Authority Summary agree with the City’s records.

- (M) Separately Maintained Records – The City of Roland Fire Department and the Municipal Swimming Pool maintain separate accounting records for certain operations. These transactions and resulting balances are not included in the City’s accounting records. Supporting documentation was not maintained for all disbursements from the accounts.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and reported to the City Council on a monthly basis. Supporting documentation should be maintained to support all disbursements.

- (N) Petty Cash and Change Fund – The petty cash and change fund are not maintained at an authorized amount. The petty cash drawer included additional funds from bulk water sales. The receipts from bulk water sales were not deposited and recorded in the financial system.

Recommendation – The City Council should approve an authorized amount to be maintained in the petty cash and change fund. Procedures should be established to ensure all receipts, including bulk water sales, are deposited intact and recorded in the financial system.

- (O) Journal Entries – Supporting documentation was not always retained for journal entries.

Recommendation – The City should retain supporting documentation for all journal entries.

- (P) City Council Meeting Minutes – Although minutes of City Council proceedings were published, the City did not publish a summary of receipts as required by Chapter 372.13 (6) of the Code of Iowa.

Recommendation – A summary of receipts should be published as required.

City of Roland

Staff

This examination was performed by:

Donna F. Kruger, CPA, Manager
Janet K. Mortvedt, CPA, Senior Auditor II
James P. Moriarty, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State