



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

August 13, 2018

Contact: Marlys Gaston
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Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Delphos, Iowa for the period October 1, 2016 through September 30, 2017. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

A copy of the agreed-upon procedures report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1722-0753-EPOP>.

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CITY OF DELPHOS

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
OCTOBER 1, 2016 THROUGH SEPTEMBER 30, 2017**

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City of Delphos

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Bernard Rothman	Mayor	Jan 2015	(Resigned Jun 2017)
Lesa Saville	Mayor Pro Tem/Council Member	Jan 2015	Jan 2019
Marilyn Johnson	Council Member	Jan 2015	Jan 2019
Cindy Percifield	Council Member	Jan 2015	Jan 2019
Kevin Ray	Council Member	Jan 2015	Jan 2019
Linda Wilt	City Clerk/Treasurer		(Resigned Mar 2017)

City of Delphos



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the City Development Board and
the Ringgold County Auditor:

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 Delphos for the period October 1, 2016 through September 30, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Delphos'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 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 2016 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 and tested selected receipts for accurate accounting and consistency with the recommended COA.
9. 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.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. 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 findings for the City. Our findings are described in the Detailed Findings section of this report. Unless reported in the Detailed Findings, 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 examination or review, 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 an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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 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 Delphos 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.


MARY MOSIMAN, CPA
Auditor of State

July 16, 2018

Detailed Findings

City of Delphos

Detailed Findings

For the period October 1, 2016 through September 30, 2017

- (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, recording, reconciling and posting.
 - (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (4) Payroll – recordkeeping, preparing and distributing.
 - (5) Financial reporting – preparing and reconciling.
- (B) Bank Reconciliations – Cash balances in the City’s general ledger were not reconciled to the bank account balances throughout the period reviewed. In addition, a listing of outstanding checks was not prepared.
- (C) Monthly City Clerk’s Report – A monthly City Clerk’s report, including a summary of receipts, disbursement, transfers and balances by fund and a comparison of actual disbursements to the certified budget by function, was not prepared.
- (D) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.
- (E) City Financial Management – The City does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. Fund accounting is required as a means for the City to demonstrate compliance with legal requirements pertaining to the various funding sources of the City including, but not limited to, road use tax and local option sales tax.

The City has not implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee. As a result, year-to-date totals of receipts by fund and source and disbursements by fund and function were not maintained to facilitate preparation of and to support the Annual Financial Report (AFR).

The City’s records were not maintained on a current basis during the period reviewed. In addition, the City is required under Chapter 384.20 of the Code of Iowa to ensure public monies are not expended or encumbered except under an annual or continuing appropriation. We were unable to determine whether disbursements during the year were within budgeted amounts since the City does not maintain financial records which facilitate the comparison of disbursements to the certified budget by function.

As a result of the above, we were unable to determine whether the City accounted for all transactions occurring during the period reviewed.

City of Delphos

Detailed Findings

For the period October 1, 2016 through September 30, 2017

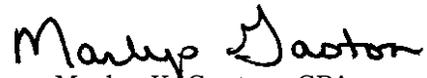
- (F) Annual Financial Report – The fiscal year 2016 Annual Financial Report (AFR) beginning balance for governmental funds did not agree with the prior year ending balance.
- (G) Surety Bond Coverage – The City does not maintain surety bond coverage for City officials and employees as required by Chapter 64 of the Code of Iowa.
- (H) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not retain electronic images of the back of cancelled checks.
- (I) City Council Meeting Minutes – The minutes record of all meetings for the period October 1, 2016 to September 30, 2017 could not be located.
- (J) Local Option Sales Tax – The City’s local option sales tax (LOST) ballot requires LOST receipts to be allocated as follows: 50% for payment of bonds for county jail construction or any other jail related expenses and 50% for city and park maintenance or any other legal purpose. Documentation was not maintained to demonstrate the LOST collections were spent in accordance with the provisions of the LOST ballot referendum.
- (K) Payroll – The following were noted regarding payroll:
 - (1) Salary approval for the City Clerk was not documented in the City Council meeting minutes.
 - (2) The City Clerk does not prepare and submit timesheets to support hours worked.
 - (3) Forms 941, W-2 and 1099 could not be located to determine if the forms were filed with the Internal Revenue Service (IRS), as required.
- (L) Certified Budget – Chapter 384.16(3) of the Code of Iowa requires the City Council to set a time and place for a public hearing on the budget before the final certification date and to publish (or post in three public places if the City’s population is less than 200) notice of hearing not less than ten nor more than twenty days before the hearing. We were unable to determine compliance since the proof of posting for the notice of public hearing could not be located.
- (M) Disbursements – Supporting documentation for eight of eighteen transactions tested could not be located. In addition, all transactions tested were not approved by the City Council.
- (N) Discontinuance – Effective October 4, 2017, the City of Delphos was discontinued in accordance with Chapter 368.3 of the Code of Iowa.

City of Delphos

Staff

This engagement was performed by:

Jennifer L. Wall, CPA, Manager
Anthony J.T. Mallie, CPA, Staff Auditor


Marlys K. Gaston, CPA
Director