

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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

September 21, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Truro, Iowa for the period January 1, 2015 through December 31, 2015. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Mosiman recommended the City review its control procedures to obtain the maximum internal control possible and establish procedures to ensure bank and utility reconciliations are completed monthly and are independently reviewed. In addition, the City should comply with Chapters 12B.10B and 12C.2 of the Code of Iowa by establishing a written investment policy and approving a resolution naming official depositories.

A copy of the agreed-upon procedures 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 <https://auditor.iowa.gov/reports/1522-0582-EPOP>.

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CITY OF TRURO
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JANUARY 1, 2015 THROUGH DECEMBER 31, 2015

Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant’s Report on Applying Agreed-Upon Procedures	5-6
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 8
Bank Reconciliations	B 8
Fuel Credit Card	C 9
Reconciliation of Utility Billings, Collections and Delinquent Accounts	D 9
Monthly Treasurer’s Report	E 9
Deposits and Investments	F 9
Payroll	G 10
Annual Financial Report	H 10
Sewer Revenue Sinking Fund	I 10
Disbursements	J 10
Auditor of State Notification	K 10
Staff	11

City of Truro

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rebecca Morris	Mayor	Jan 2016
Krystal Chambers	Council Member	Jan 2016
Sarah Darst	Council Member	Jan 2016
Jason Phillips	Council Member	Jan 2016
Karl Korte	Council Member	Jan 2018
Veronica Woods	Council Member	Jan 2018
Patty Garner	City Clerk/Treasurer	Indefinite

City of Truro



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

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 Truro for the period January 1, 2015 through December 31, 2015. The City of Truro'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 2015 Annual Financial Report 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 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. 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.

These agreed-upon procedures do not constitute an audit of 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 Truro, 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 Truro and other parties to whom the City of Truro 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 Truro 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

March 17, 2016

Detailed Recommendations

City of Truro

Detailed Recommendations

For the period January 1, 2015 through December 31, 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:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Debt - recordkeeping, compliance and debt payment processing.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.
- (7) Utilities – billing, collecting, depositing and posting.
- (8) Financial reporting – preparing and reconciling.
- (9) Journal entries – preparing and journalizing.
- (10) Computer system – performing all general accounting functions and controlling all data input and output.

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 system generated reconciliation summary was reconciled to the checking account balance, but did not include the City’s certificates of deposit totaling \$60,710. Also, certain reconciling items were carried forward from month to month rather than correcting the financial records. In addition, there was no evidence of an independent review of the reconciliations.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

City of Truro

Detailed Recommendations

For the period January 1, 2015 through December 31, 2015

- (C) Fuel Credit Card – The City fuels fire and rescue vehicles by charging purchases to a fuel credit card. The individual using the fuel credit card is required to sign a charge slip for each purchase. The fuel card charge slips and monthly credit card statements were not reviewed by the Fire Chief. In addition, the City does not maintain mileage/fuel logs for City vehicles.

In September 2015, the City discovered a volunteer firefighter had used the City's fuel credit card for personal use. The City contacted law enforcement to investigate. Since gas station surveillance images were only available for the prior six months, the law enforcement investigation covered a six month period. Because the City did not maintain vehicle mileage/fuel logs, additional purchases may have occurred which could not be investigated. The volunteer firefighter pled guilty to charges filed against him and was ordered to pay the City restitution of \$1,319.

Recommendation – The Fire Chief should review all fuel charge slips and monthly credit card statements for propriety. Vehicle mileage/fuel logs should maintained to document vehicle use and to aid in the review of fuel purchases.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – 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 and monitor delinquent accounts. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (E) Monthly Treasurer's Report – The Monthly Treasurer's Report generated by the City's software does not include the City's investment balances.

Recommendation – The City should establish procedures to ensure computer generated reports include all City funds.

- (F) 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.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. In addition, 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.

City of Truro

Detailed Recommendations

For the period January 1, 2015 through December 31, 2015

- (G) Payroll – Annual salary increases for all City employees were approved based upon a percentage and the actual approved wages were not documented in the City Council meeting minutes.

Recommendation – To increase control over actual wages paid, salary/wage rate increases should be documented in the City Council meeting minutes by recording the new, approved salary or rate, not just the percentage increase.

- (H) 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...” For the year ended June 30, 2015, the fund balances reported in the City’s Annual Financial Report do not agree with the City’s records. In addition, local option sales tax receipts were classified as General Fund receipts, while local option sales tax disbursements and transfers out were classified as Special Revenue Fund activity.

Recommendation – The City should establish procedures to ensure the Annual Financial Report accurately reports the City’s receipts, disbursements and balances.

- (I) Sewer Revenue Bond Sinking Account - The City has not established and made transfers to a sewer revenue bond sinking account as required by the bond resolution.

Recommendation - The City should establish a sewer revenue bond sinking account and make the transfers required by the bond resolution.

- (J) Disbursements – Invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for one transaction tested could not be located.

Recommendation – All disbursements should be supported by invoice or other supporting documentation.

- (K) Auditor of State Notification – Chapter 11.6(7) of the Code of Iowa requires governmental subdivisions to notify the Auditor of State regarding any suspected embezzlement, theft or other significant financial irregularities. The Auditor of State was not notified when the Council Members and City officials became aware a member of the Fire Department was fueling his personal vehicle with the City fuel credit card.

Recommendation - The City should implement procedures to ensure compliance with Chapter 11.6(7) of the Code of Iowa.

City of Truro

Staff

This engagement was performed by:

Donna F. Kruger, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Premnarayan Gobin, Assistant Auditor


Marlys K. Gaston, CPA
Director