



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

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NEWS RELEASE

FOR RELEASE

November 1, 2017

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Auditor of State Mary Mosiman today released a Report on the Status of Findings and Recommendations from the City of Truro's Periodic Examination Report dated March 17, 2016. The engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and covered the period November 1, 2016 through May 31, 2017.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. The findings included in this report indicate the City Council has exercised fiduciary oversight and taken action to implement many of the recommendations. Six of the eleven findings reported in the Periodic Examination Report dated March 17, 2016 have been corrected, two have been partially corrected, one is no longer valid and two were not corrected and are repeated in this report.

A copy of the City of Truro's Report on the Status of Periodic Examination Findings and Recommendations 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 site at <https://auditor.iowa.gov/reports/1522-0582-EPFP>.

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CITY OF TRURO

**INDEPENDENT ACCOUNTANT'S REPORT
ON THE STATUS OF PERIODIC EXAMINATION
FINDINGS AND RECOMMENDATIONS**

**FOR THE PERIOD
NOVEMBER 1, 2016 THROUGH MAY 31, 2017**

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City of Truro

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Sarah Darst	Mayor	Jan 2014	Jan 2018
Lyndsay Cannoy	Council Member	Aug 2016	Jan 2018
Rebecca Denning	Council Member	May 2017	Jan 2018
Michelle Gingerich	Council Member	Aug 2016	Jan 2018
Julie Ostrander	Council Member	Jan 2016	Jan 2020
Michell Sciarrotta	Council Member	Jan 2016	Jan 2020
Patty Garner	City Clerk/Treasurer		Indefinite

City of Truro



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Independent Accountant's Report on the Status of Periodic
Examination Findings and Recommendations

To the Honorable Mayor and Members of the City Council:


The Office of Auditor of State issued a Periodic Examination Report dated March 17, 2016 on the City of Truro, Iowa covering the period January 1, 2015 through December 31, 2015 pursuant to Chapter 11.6 of the Code of Iowa. The report included certain findings and recommendations pertaining to the City's financial processes and compliance with laws and regulations.

This report includes the findings and recommendations from the City's Periodic Examination Report dated March 17, 2016 and the current status of the City's implementation of the recommendations included in that report.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity. Oversight by the City Council is essential and should be an ongoing effort by all members. The City Council should exercise due care and require and review pertinent information and documentation to ensure the reliability of financial information and compliance with laws and regulations. Appropriate policies and procedures should be adopted, implemented and monitored to ensure compliance.

The purpose of the report is to report on the current status of the City's implementation of the recommendations included in the Periodic Examination Report dated March 17, 2016. 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 Truro during the course of our follow-up procedures. Should you have 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

October 26, 2017

**Report on the Status of Periodic Examination
Findings and Recommendations**

City of Truro

Report on the Status of Periodic Examination Findings and Recommendations

For the period November 1, 2016 through May 31, 2017

Findings Reported in the Periodic Examination Report dated March 17, 2016:

- (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.

Current Status – Partially Corrected. During the period reviewed, a City Council member reviewed and signed the bank reconciliations each month. The City Clerk prepared the reconciliations using online bank statements and the City Council member compared the reconciliations to the unopened bank statements received in the mail. In addition, the City used dual signatures on all checks during the period reviewed. The recommendation is partially repeated.

- (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

Report on the Status of Periodic Examination Findings and Recommendations

For the period November 1, 2016 through May 31, 2017

Current Status - Corrected. During the period reviewed, the book balance was reconciled to the bank and investment account balances, including all cash and investment accounts. Reconciling items were resolved in the month they occurred and the reconciliations were reviewed by an independent individual as evidenced by the signature of reviewer.

- (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.

Current Status - Corrected. During the period reviewed, the City required all original receipts to be given to the City Clerk after each purchase. The receipts were required to indicate which vehicle was fueled and were signed by the party fueling the vehicle. The City Clerk reconciled the receipts to the fuel card statements and had the Fire Chief or the Assistant Fire Chief approve payments for the fire and ambulance vehicles. In addition, the City maintained vehicle mileage and fuel logs for all City vehicles and a log of all fire and rescue calls for each month.

- (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.

Current Status - Not Corrected. Although the City's utility software generates a monthly reconciliation of utility billings, collections and delinquent accounts, the amounts in the reconciliation are not compared to supporting records. Also, certain reconciling items were not supported and "payments received" on the reconciliation did not agree to receipts per the general ledger. In addition, the monthly reconciliations are not reviewed by an independent person. The recommendation is repeated.

City of Truro

Report on the Status of Periodic Examination Findings and Recommendations

For the period November 1, 2016 through May 31, 2017

- (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.

Current Status – Corrected. For the period reviewed, the Monthly Treasurer's Reports generated by the City's software included all City funds, including investment balances.

- (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.

Current Status – Not corrected. The recommendation is repeated.

- (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.

Current Status – Corrected. Salary and wage rates for City employees for the fiscal year ending June 30, 2017 were approved on an hourly, annual or per call basis.

- (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.

Current Status – Partially Corrected. The fiscal year 2016 Annual Financial Report balances agree with the City's records in total for all governmental and proprietary funds. However, the General and Special Revenue Fund balances do not agree with the City's records due to the incorrect classification of local option sales tax as a General Fund receipt on the Annual Financial Report. The local option sales tax receipt was recorded correctly in the City's general ledger. The recommendation is partially repeated.

City of Truro

Report on the Status of Periodic Examination Findings and Recommendations

For the period November 1, 2016 through May 31, 2017

- (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.

Current Status – Corrected. During the period reviewed, the City established a sewer revenue bond sinking account and made adequate monthly 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.

Current Status – Corrected. During the period reviewed, all disbursements tested were properly 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.

Current Status – No longer valid.

City of Truro

Staff

This engagement was performed by:

Brian R. Brustkern, CPA, Manager
Karen J. Kibbe, Senior Auditor II


Marlys K. Gaston, CPA
Director