



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

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

June 4, 2018

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Rome, Iowa for the period January 1, 2017 through December 31, 2017. 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. The City should also implement procedures to perform monthly bank and utility reconciliations and should track local option sales tax receipts, disbursements and transfers to ensure the receipts are used in accordance with the ballot.

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/1722-0416-EPOP>.

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CITY OF ROME

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JANUARY 1, 2017 THROUGH DECEMBER 31, 2017

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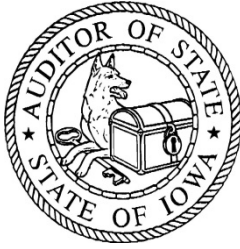
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City of Rome

Officials

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Jeremy Lanferman	Mayor	Jan 2016	Jan 2018
Lester Garrison	Council Member	Jan 2016	Jan 2018
Martha Garrison	Council Member	Jan 2016	Jan 2018
Cameron Sammons	Council Member	Jan 2016	Jan 2018
Deb Sammons	Council Member	Jan 2016	Jan 2018
Maria Whetsler	Council Member	Jan 2016	Jan 2018
Mike White	City Clerk/Treasurer		Indefinite
James M. Becker Jr.	Attorney		Indefinite

City of Rome



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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 Rome for the period January 1, 2017 through December 31, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Rome'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 2017 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 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.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
10. 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.
11. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
12. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
13. 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 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 such 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 recommendations 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 Rome 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

April 16, 2018

Detailed Recommendations

City of Rome

Detailed Recommendations

For the period January 1, 2017 through December 31, 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) Utilities – entering rates, billing, collecting, depositing, posting and maintaining detailed accounts receivable and write-off records.
 - (4) Debt – recordkeeping, compliance and debt payment processing.
 - (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (6) Payroll – recordkeeping, preparing, signing, and distributing.
 - (7) Financial reporting – preparing and reconciling.

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 and General Ledger – Monthly bank reconciliations were not prepared and the City does not maintain a general ledger to record and track receipts, disbursements balances by fund. In addition, the City did not maintain monthly outstanding check listings, including check number, payee and date written.

Recommendation – The City should maintain a general ledger to track receipts, disbursements and balances by fund and should prepare monthly bank reconciliations. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations. An outstanding check list should be prepared and detail the check number, payee, date written and amount outstanding.

- (C) Chart of Accounts and Accounting System – The City has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee and does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. Also, disbursements are not properly classified by function in accordance with the recommended COA.

Recommendation – The City should review the current financial accounting system and establish policies and procedures to require and ensure records are maintained to facility fund accounting required for governmental accounting and reporting. To provide better financial information and control, the recommended COA, or its equivalent, should be followed, including the classification of disbursements by function.

City of Rome

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

- (D) 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 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 Financial Reports – Monthly financial reports, including receipts, disbursements, transfers and balances for each fund and comparison of actual to budgeted disbursements by function, were not prepared and provided to the City Council for review and approval.

Recommendation – The City should establish procedures to ensure monthly financial reports, including receipts, disbursements, transfers and balances for each fund and comparison of actual to budgeted disbursements by function, are prepared and provided to the City Council for review and approval.

- (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. 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.

- (G) City Council Meeting Minutes – Although minutes of City Council proceedings were posted, the City did not post total disbursements from each, a list of claims allowed and a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – Total disbursements by fund, a list of all claims and a summary of receipts should be posted as required by Chapter 372.13(6) of the Code of Iowa.

- (H) Dual Compensation – Chapter 372.13(8) of the Code of Iowa states, in part, “Except as provided in section 362.5, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office, but may be reimbursed for actual expenses incurred.” During the period reviewed, the City paid a City Council Member \$950 for mowing City lots. The City Council did not approve the mowing services and the compensation violates Chapter 372.13(8) of the Code of Iowa which prohibits a City Council Member from receiving compensation as a City employee while serving on the City Council. In addition, there were no invoices to support the amount paid to the City Council Member.

Recommendation – The City should consult legal counsel to determine the disposition of this matter, including seeking reimbursement for the \$950 improperly paid to the City

City of Rome

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

Council Member. The City should also establish procedures to ensure all disbursements are approved by the City Council and are properly supported.

- (I) 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 receive an image of the back of each cancelled check for any bank accounts.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

- (J) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

- (K) Certified Budget – Disbursements during the year ended June 30, 2017 were not classified by function. Accordingly, we were unable to determine whether actual disbursements exceeded budgeted amounts by function.

Recommendation – Disbursements should be recorded and tracked by function for proper reporting and to facilitate monitoring disbursements against the certified budget.

- (L) Disbursements – Supporting documents are not furnished to the check co-signer prior to co-signing the checks and 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 and 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.

- (M) City Council Disbursement Approval – The City Council approves disbursements at each monthly meeting after the invoices have been paid.

Recommendation – The City could adopt a written disbursement policy to allow payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the City Council at the next City Council meeting for review and approval.

City of Rome

Detailed Recommendations

For the period January 1, 2017 through December 31, 2017

- (N) Local Option Sales Tax (LOST) – The City’s LOST ballot requires LOST receipts be used 100% for community development, street maintenance, town improvements and maintenance. The City does not track the use of LOST receipts to demonstrate compliance with the ballot provisions.

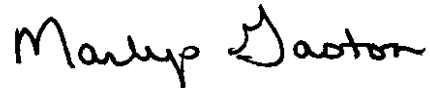
Recommendation – The City should implement procedures to track LOST receipts, disbursements and transfers to ensure LOST receipts are used in accordance with the ballot.

City of Rome

Staff

This engagement was performed by:

Deborah J. Moser, CPA, Manager
Elizabeth P. Dawson, Staff Auditor
Rachel E. Sigmon, Assistant Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA
Director