



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

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

December 26, 2018

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Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Rowan, Iowa for the period July 1, 2016 through June 30, 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 and establish procedures to ensure bank reconciliations and utility reconciliations are reviewed monthly. In addition, the City should ensure the City's Annual Financial Report agrees to the City's records and the monthly financial reports provided to the City Council include information for better control over budgeted disbursements and fund balances. Also, the City should establish a written investment policy in accordance with Chapter 12B.10B of the Code of Iowa and adopt a depository resolution as required by Chapter 12C.2 of the Code of Iowa.

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/audit-reports/>.

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**CITY OF ROWAN**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2016 THROUGH JUNE 30, 2017**

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**City of Rowan**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Ronnie Bailey	Mayor	Jan 2016	Jan 2018
Virgil Park	Council Member	Jan 2014	Jan 2018
Dale Hollman	Council Member	Jan 2014	Jan 2018
Kerri Eivins	Council Member	Jan 2014	Jan 2018
Kathy Ketchum	Council Member	Jan 2016	Jan 2020
Mark Bruns	Council Member	Jan 2016	Jan 2020
Aimee Miller	City Clerk/Treasurer		Indefinite
David Johnson	Attorney		Indefinite

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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 Rowan for the period July 1, 2016 through June 30, 2017, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Rowan'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 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 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 and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. 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 Rowan 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

November 15, 2018



## **Detailed Recommendations**

City of Rowan

Detailed Recommendations

For the period July 1, 2016 through June 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, recording, reconciling, depositing and custody of the change fund.
- (2) Investments – recordkeeping, investing, custody of investments and recording earnings.
- (3) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (4) Disbursements – purchasing, invoice processing, check writing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing, and distributing.
- (6) Utilities – billing, collecting, depositing, posting and entering rates into the system.
- (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 their 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) City Financial Management Information – 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 property tax levied for specific purposes, road use tax and bond, note and loan proceeds.

Recommendation – The City should implement a financial accounting system and establish procedures to require and ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting.

(C) Bank Reconciliations – Although monthly bank reconciliations were prepared throughout the year, no outstanding deposit or outstanding check listing was prepared as part of the bank reconciliation and no independent review of the bank reconciliations was performed.

Recommendation – To improve financial accountability and control, an outstanding deposit and outstanding check listing should be prepared as part of the bank reconciliation. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

(D) Change Fund – The City maintains a change fund for which no authorization could be located.

Recommendation – The City should establish, by resolution, an authorized amount for the change fund.

City of Rowan

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and reviewed by an independent person.

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, document their review and monitor delinquent accounts.

- (F) Credit Cards – The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City Credit cards. The policy, as a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges. The credit cards should only be used for City business and should only be signed by authorized individuals. All charges should be reviewed and scrutinized before being paid.

- (G) Journal Entries – Journal entries are not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.

- (H) City Council Meeting Minutes – Chapter 380.7 of the Code of Iowa requires all minutes of City Council meetings be properly signed. Minutes for the meetings tested were not properly signed.

Recommendation – Minutes of the City Council meetings should be signed to authenticate the actions taken.

- (I) Deposits and Investments – A resolution naming official depositories and the maximum deposit amounts has not been adopted by the City as required by Chapter 12C.2 of the Code of Iowa. In addition, the City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City Council should adopt a depository resolution which specifies the name of the official depository and the maximum amount that may be kept on deposit in each depository, as required. In addition, the City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

- (J) Monthly Financial Reports – The monthly financial report provided to the City Council included a list of disbursements but did not include a year-to-date comparison of total disbursements for all funds to the certified budget by function or a summary of beginning balances, receipts, disbursements, transfers and ending balances by fund.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, monthly financial reports to the City Council should include comparisons of total disbursements for all funds to the certified budget by function. Also, for better financial information, the monthly reports should include a summary of beginning balances, receipts, disbursements, transfers and ending balances for each fund.

City of Rowan

Detailed Recommendations

For the period July 1, 2016 through June 30, 2017

- (K) City Code – The City last had its City Code recodified in 2011. Chapter 380.8 of the Code of Iowa states in part, “At least once every five years, a City shall compile a code of ordinances containing all of the City ordinances in effect, except grade ordinances, bond ordinances, zoning ordinances and ordinances vacating streets and alleys.” The ordinance has not been updated within the last five years.

Recommendation – The City should have its City Code recodified as required by the Code of Iowa.

- (L) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...” The City’s fiscal year 2016 AFR ending balance was greater than the City’s records by \$21,912.

Recommendation – The City should ensure future AFRs agree with the City’s records.

- (M) 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.

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.

- (N) Payroll – Timesheets are not always prepared by salaried employees. In addition, timesheets did not include evidence of supervisory review.

Recommendation – Timesheets should be prepared by all City employees to support hours worked and taken as leave time. In addition, all timesheets should be reviewed and approved by supervisory personnel prior to processing payroll. Supervisory approval should be documented by the signature or initials of the supervisor and the date of approval.

- (O) Employee Benefits Levy – The City levied \$3,707 of employee benefit property tax receipts for fiscal year 2017, however, these receipts were combined with the General Fund receipts column on the 2017 AFR and in the City’s general accounting records.

Recommendation – The City should establish a Special Revenue, Employee Benefits Fund in the general ledger to record the receipt and disbursement of property tax for employee benefits and report the activity appropriately on the AFR.

- (P) Voter Approved Levies – During fiscal year 2017, the City levied \$535 for support of the public library and \$2,970 for unified law enforcement. However, documentation to support whether these levies were properly authorized, including voter approval, was not maintained.

Recommendation – Supporting documentation should be maintained to substantiate the City’s voter approved levies which are authorized in Chapter 384.12 of the Code of Iowa.

City of Rowan

Staff

This engagement was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Malika Moutiq, Staff Auditor  
Taran E. McCusker, Assistant Auditor

  
Marlys K. Gaston, CPA  
Director