



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

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Auditor of State

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**NEWS RELEASE**

Contact: Pam Bormann  
515/281-5834

FOR RELEASE

December 11, 2024

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Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Rowley, Iowa, for the period July 1, 2023 through June 30, 2024. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported thirteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 7 through 9 of this report. The findings address issues such as a lack of segregation of duties, the lack of complete bank reconciliations, the lack of utility reconciliations, disbursements exceeding budgeted amounts and the lack of an investment policy and depository resolution. Sand provided the City with recommendations to address each of the findings.

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.

A copy of the agreed-upon procedures report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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**CITY OF ROWLEY**  
**AUDITOR OF STATE'S INDEPENDENT REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2023 THROUGH JUNE 30, 2024**

**City of Rowley**



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November 18, 2024

Officials of the City of Rowley  
Rowley, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the agreed-upon procedures report for the City of Rowley, Iowa, for the period July 1, 2023 through June 30, 2024. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and 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.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Rowley throughout the agreed-upon procedures engagement. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand".

Rob Sand  
Auditor of State

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**City of Rowley**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Susan Webster	Mayor	Jan 2024	Jan 2026
Matt Myers	Council Member	Nov 2023	Jan 2026
Pat VonLehmden	Council Member	Jan 2022	Jan 2026
Kathy Hemsath	Council Member	Jan 2024	Jan 2028
Terri Janaszak	Council Member	Jan 2024	Jan 2028
Jeff Taylor	Council Member	Jan 2024	Jan 2028
Deb Hemsath	City Clerk/Treasurer		Indefinite
Brian Eddy	Attorney		Indefinite



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Rob Sand  
Auditor of State

Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Rowley for the period July 1, 2023 through June 30, 2024, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Rowley'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 City of Rowley's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, 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 may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures were in place and incompatible duties, from a control standpoint, were not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances, journal entries and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances were properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2023 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We observed depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.

9. The City had no debt.
10. The City had no TIF.
11. We traced selected receipts for accurate accounting and consistency with the recommended COA.
12. The City had no voter approved levies.
13. We traced selected disbursements to 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.
14. The City had no transfers.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, no exceptions were noted during the performance of the specific procedures listed above.

We were engaged by the City of Rowley's management to perform this agreed-upon procedures engagement and conducted our engagement 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. We were not engaged to and did not conduct an examination or review engagement, 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.

We are required to be independent of the City of Rowley and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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 and 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 Rowley 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.



Pam Bormann, CPA  
Director

November 18, 2024



## **Detailed Findings and Recommendations**

City of Rowley

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

(A) Segregation of Duties – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. 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 – entering rates in the system, recordkeeping, preparing and distributing.
- (5) Utilities – entering rates in the system, billing, collecting, depositing, recording, reconciling, posting and maintaining detailed accounts receivable.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and recording.

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 – Although monthly bank reconciliations were prepared for the City's checking and savings accounts, a complete reconciliation including investments was not prepared. The bank reconciliations completed were not reviewed by an independent person.

Recommendation – The City should establish procedures to ensure all bank and investment account balances are reconciled to the Treasurer's report and to the general ledger monthly and variances, if any, are reviewed and resolved timely. The reconciliations should be reviewed by an independent person, and the review should be documented by the signature or initials of the reviewer and the date of the review.

(C) 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.

City of Rowley

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

- (D) Utility Billing Rates – Chapter 384.84 of the Code of Iowa requires utility rates to be established by City ordinance. The City contracts with an outside entity for garbage collection. This contract was approved by the City Council, however, the rate which would be charged to the citizens was not established by ordinance as required. In addition, rates for garbage did not follow the approved contract, causing customers to be billed \$17.85 per month for garbage services instead of the approved rate of \$18.05.

Recommendation – The City should ensure garbage rates are established by City ordinance as required. The City should also ensure the approved rates are used for utility billings. In addition, the City should develop procedures to ensure billing rates entered into the City’s billing system are reviewed and approved by an independent person.

- (E) Monthly City Clerk’s Report – The monthly City Clerk’s financial reports provided to the City Council for approval did not include a comparison of actual disbursements to the certified budget by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the monthly City Clerk’s reports provided to the City Council should include a comparison of actual disbursements to the certified budget by function. The City Council or a designated member should review and approve the monthly City Clerk’s reports and the review and approval should be documented by the signature or initials of the reviewer and the date of the review.

- (F) Monthly City Treasurer’s Report – The November 2023 and June 2024 City Treasurer’s Report balance for the General Fund did not agree to the City’s general ledger balance. The general ledger balance was \$600 less than the City Treasurer’s Report.

Recommendation – The City should establish procedures to ensure monthly City Treasurer’s reports are accurate. The City should work with its software provider to determine the cause for the report errors and take immediate action to correct the reports.

- (G) 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 did 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.

- (H) 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.

City of Rowley

Detailed Findings and Recommendations

For the period July 1, 2023 through June 30, 2024

- (I) Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted in the public safety and public works functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (J) Disbursements – For thirty-six disbursements observed, two disbursements included sales tax totaling \$54. As a government entity, the City maintains a tax-exempt status. As a result, the City should not incur sales tax.

In addition, one reimbursement to the City Clerk for the purchase of garbage bags was not properly supported by a receipt.

Recommendation – The City should establish procedures to ensure all payments are reviewed to prevent the payment of sales tax and require proper support be obtained for all disbursements.

- (K) Payroll – Wage increases for City employees were approved by the City Council as a percent increase rather than a salary or hourly rate.

Recommendation – Wage rates and increases should be adequately documented in the minutes as an approved hourly rate or salary and not just a percentage increase, to ensure the actual pay rate is adequately documented.

- (L) Reimbursements – The City reimbursed the City Clerk for internet service at a rate of \$25 per month and cleaning the community center at a rate of \$15 per month. While these reimbursements may meet the test of public purpose, there was no policy or documentation of approval by the City Council in the minutes to support the rate used for these reimbursements.

Recommendation – The City should approve a policy and maintain documentation from the City Council minutes to document approval of the rates used for reimbursements to the City Clerk for internet service and cleaning of the community center.

- (M) Debit Card – The City has a debit card available for use by City employees; therefore, there was no process for prior approval of purchases made with a debit card.

Recommendation – The City Council should prohibit the use of debit cards for City purchases. The function of a debit card is to provide immediate access to the City funds. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions.

City of Rowley

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Director  
Lesley R. Geary, CPA, Manager  
Zachary T. Shaw, Senior Auditor  
Patrick A. Stewart, Staff Auditor