



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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NEWS RELEASE

Contact: Pam Bormann
515/281-5834

FOR RELEASE

January 16, 2025

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Numa, 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 sixteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 7 through 11 of this report. The findings address issues such as a lack of segregation of duties, the lack of bank reconciliations, disbursements not supported by invoices and disbursements exceeding budgeted amounts. 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 NUMA
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2023 THROUGH JUNE 30, 2024

City of Numa



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

October 28, 2024

Officials of the City of Numa
Numa, 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 Numa, 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 Numa 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, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Numa

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Began</u> | <u>Term Expires</u> |
|----------------|----------------|-------------------|----------------------|
| Richard Brooke | Mayor | Jan 2024 | Jan 2028 |
| Jolene Fadiga | Council Member | Jan 2022 | (Resigned June 2024) |
| Barbara Sayre | Council Member | Jan 2022 | Jan 2026 |
| Connie Susin | Council Member | Jan 2024 | Jan 2028 |
| Alyssa Cowan | City Clerk | | Indefinite |
| Nicole Cox | Attorney | | Indefinite |



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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 Numa 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 Numa'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 Numa'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 timely and accurately reflected the City's financial information.
7. The City had no investments.
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. We scanned 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. 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. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
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 Numa'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 Numa 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 Numa 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
Deputy Auditor of State

October 28, 2024

Detailed Findings and Recommendations

City of Numa

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) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – handling, reconciling and recording.
- (3) Receipts – opening mail, collecting, depositing, recording, posting and reconciling.
- (4) Long-term debt – recordkeeping, compliance and debt payment processing.
- (5) Disbursements – purchasing, invoice processing, check writing, check signing, mailing, recording and reconciling.
- (6) Payroll – recordkeeping, preparing, signing and distributing.
- (7) Financial reporting – preparing and reconciling.
- (8) Computer system – performing all general accounting functions and 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) Annual Financial Report (AFR) – Chapter 384.22 of the Code of Iowa states in part, “a city shall publish an annual financial report as provided under Section 362.3 containing a summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures.” The following were noted regarding the City's fiscal year 2023 AFR:

- The City did not properly maintain copies of the City's June 30, 2023 accounting records, including coding of receipts and disbursements. Therefore, the receipts and disbursements reported on the City's 2023 AFR were not supported.
- The ending balance reported was \$7,392 greater than the City's accounting records.
- The general obligation note beginning balance was overstated by \$2,603.

Recommendation – The City should establish procedures to ensure the amounts reported in the AFR are accurate and supported by the City's records. An independent person should review the AFR for accuracy and the review should be documented by the signature or initials of the reviewer and the date of review.

City of Numa

Detailed Findings and Recommendations

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

- (C) Bank Reconciliations – Monthly bank reconciliations were not retained and, accordingly, there was no documentation the bank reconciliations were performed. In addition, a list of outstanding checks was not prepared and retained each month. The June bank balances exceeded the book balances by \$63,709.

Recommendation – The City should establish procedures to ensure bank and investment account balances are retained and reconciled to the City’s general ledger and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by the signature or initials of the reviewer and the date of review. In addition, a listing of outstanding checks should be prepared and retained each month.

- (D) Prenumbered Receipts – Prenumbered receipts were not issued for all collections received.

Recommendation – Prenumbered receipts should be issued for all collections. An independent person should account for the numerical sequence of the prenumbered receipts and compare these collections to the bank deposit and the accounting records, and the review should be documented with the signature of initials of the reviewer and the date of review.

- (E) Monthly City Clerk’s Reports – The monthly City Clerk’s report did not report the balances for the General Fund and the Special Revenue, Road Use Tax Fund separately. The City Clerk’s monthly financial reports to the City Council did not include comparisons of actual disbursements to the certified budget by function.

Recommendation – The monthly City Clerk’s reports should include beginning and ending fund balances, receipts and disbursements for each fund. In addition, to provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the reports should include comparisons 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/approval should be documented by the signature or initials of the reviewer and the date of the review/approval.

- (F) Disbursements – The following items were noted for the disbursements observed:

- For 25 of 30 transactions observed, invoices and other supporting documentation were not maintained by the City to support disbursements.
- Supporting documentation observed was not cancelled to prevent reuse.
- The City did not issue checks in sequential order and did not account for the numerical sequences of checks issued.

Recommendation – All disbursements should be supported by invoices or other supporting documentation and this documentation should be canceled to prevent reuse. Invoices or other supporting documentation should be provided to the check singer and City Council for approval. The City should establish procedures to ensure checks are issued in sequential order and are properly accounted for. Gaps in the numerical sequence should be identified and resolved to help prevent potential misuse.

City of Numa

Detailed Findings and Recommendations

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

(G) Payroll – The following items were noted for payroll:

- Timesheets were not required to be submitted by City employees.
- The City Clerk’s compensation approval was not documented in the City Council meeting minutes.
- The Mayor and City Council member compensation was not established and approved by ordinance as required by Chapter 372.13(8) of the Code of Iowa.

Recommendation – Timesheets should be required for employees and reviewed and approved by supervisory personnel prior to processing payroll. Approved wages for employees should be adequately documented in the City Council minutes. In addition, the City should establish and approve the compensation for the Mayor and City Council members by ordinance, as required.

(H) City Council Meeting Minutes – The following were noted:

- Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be posted within fifteen days of the meeting and include total disbursements by fund, a description of claims being paid and a summary of all receipts. The City did not retain documentation to support timely posting and documentation the postings included total disbursements by each fund, a description of claims being paid and a summary of all receipts.
- Meetings were not preceded by proper notice as required by Chapter 21.4 of the Code of Iowa.
- Minutes of the City Council meetings were not always signed by the City Clerk as required by Chapter 380.7 of the Code of Iowa.
- Chapter 372.13(6) of the Code of Iowa requires cities with a population of less than 200 establish by ordinance three designated locations to post minutes. The City has not approved an ordinance establishing the designated locations.

Recommendation – The City should comply with Chapter 37.2.13(6) of the Code of Iowa and post the City Council minutes within fifteen days of holding the meeting and include a description of claims being paid, a summary of receipts and total disbursements by fund. In addition, the City should comply with Chapter 21.4 of the Code of Iowa and give proper notice of each meeting. Comply with Chapter 380.7 of the Code of Iowa and ensure all City Council meeting minutes are signed by the City Clerk. Also, the City should adopt an ordinance to reflect the locations where minutes should be posted.

(I) 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 Numa

Detailed Findings and Recommendations

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

- (J) Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the public works, community and economic development and general government 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.”

According to Chapter 24.17 of the Code of Iowa, the City’s budget for fiscal year 2024 was to be certified by March 15, 2023. However, the City did not certify its budget until June 26, 2023.

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. The City should ensure the budget for subsequent years is certified in accordance with Chapter 24.17 of the Code of Iowa.

- (K) Payment of General Obligation Debt – Principal and interest on the City’s general obligation community center note were paid from the General Fund. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the General Fund to the Debt Service Fund for future funding contributions. Payments on the notes should be made from the Debt Service Fund, as required.

- (L) 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 for several 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.

- (M) Financial Reporting – The City did not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. In addition, the City has not implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee. 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, but not limited to, road use tax and local option sales tax.

Recommendation – To better provide financial information and control, the City should implement a financial reporting system and establish procedures to ensure records are maintained to facilitate fund accounting and the use of the COA or its equivalent.

- (N) Reports to the Internal Revenue Service – Per discussion with the Mayor on August 13, 2024, the City has not filed form 944 with the Internal Revenue Service (IRS) since 2016. Because no forms have been filed, we were unable to determine what amounts, if any, the City paid or may still owe the IRS.

Recommendation – City officials should continue to try to contact an IRS representative to determine what amount is still owed for the City’s obligations. City officials should also work with legal counsel to determine an appropriate disposition of this matter.

City of Numa

Detailed Findings and Recommendations

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

(O) Receipts and Deposits – The following were noted:

- We identified several payments from the State of Iowa deposited into the bank which were not recorded in the City’s accounting system.
- We identified \$450 in reports from November through April which were recorded as rent in the general ledger. In July 2024, \$600 was deposited which did not have a correlated receipt in the records. In discussions with the Mayor, it appears the City Clerk did not deposit rental payments when received.
- In September 2023, \$10,622 was deposited which did not have a correlated receipt in the accounting system.
- In March 2024, \$1,678 was deposited which did not have a correlated receipt in the accounting system.
- Two intergovernmental receipts were not deposited in a timely manner (within 30 days).
- The City deposited property tax receipts into the checking account which agreed to the documentation from the County. However, the recorded property tax receipts in the general ledger was less than what was deposited directly into the checking account.

Recommendation – The City should establish procedures to ensure all collections are properly recorded in the City’s accounting system and deposited in a timely manner. The amounts deposited should agree to the amounts reported in the accounting system.

(P) Deposit Slips – The City did not receive images of the deposit slips for the bank accounts or maintain hard copies of deposit slips.

Recommendation – The City should maintain deposit slips and contact the bank and have images of all deposit slips available with all statements in order to perform proper accounting and reconciliations in the future.

City of Numa

Staff

This engagement was performed by:

Pamela J. Bormann, CPA, Deputy
Alex N. Kawamura, CPA, Manager
Brandon L. Weddell, Staff Auditor
Maria R. Collins, Staff Auditor