

City of Roland

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

For the period July 1, 2013 through June 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
OFFICIALS	3
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	4-5
FINDINGS AND RECOMMENDATIONS	6
	<u>Finding</u>
Segregation of duties	A 7
Bank reconciliations	B 7
Financial reports	C 7
Tax increment financing	D 8
Reconciliation of utility billings, collections and delinquent accounts	E 8
Local option sales tax (LOST)	F 8
Business transactions	G 9
Certified budget	H 9
Disbursements	I 9
Payroll	J 10
Urban renewal annual report	K 10
Separately maintained records	L 10
Electronic check retention	M 10
Petty cash and change fund	N 11
Journal entries	O 11
Form 1099's	P 11
Deficit fund balances	Q 11
City Council minutes	R 11

**City of Roland, Iowa
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
<u>(Before January 2014)</u>		
Roger Fritz	Mayor	January 2016
Duane Canny	Council Member	January 2014
Brian Hill	Council Member	January 2014
Larry Ford	Council Member	January 2016
Doug Sargent	Council Member	January 2016
Jerry Balmer	Council Member	January 2016
Jodi Meredith	City Clerk/Treasurer	Indefinite
Tom Wynia	Attorney	Indefinite
<u>(After January 2014)</u>		
Roger Fritz	Mayor (Resigned April 2, 2014)	
Jerry Balmer	Mayor (Effective April 16, 2014)	January 2016
Brian Hill	Council Member	January 2018
Larry Ford	Council Member	January 2016
Andy Webb	Council Member	January 2018
Doug Sargent	Council Member	January 2016
Jerry Balmer	Council Member (April 16, 2014)	January 2016
Jerry Zamzow	Council Member (Effective June 4, 2014)	January 2016
Jodi Meredith	City Clerk/Treasurer	Indefinite
Tom Wynia	Attorney	Indefinite



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and
Members of the City Council
City of Roland, Iowa

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 Roland for the period July 1, 2013 through June 30, 2014 solely to assist you with respect to the accounting records of the City of Roland for the year ended June 30, 2014. The City of Roland's management, which agreed to the performance of the procedures performed, is responsible 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 2014 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 tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. 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.
13. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
14. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
15. 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 Findings and Recommendations section of this report. Unless reported in the Findings and 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 audit of the City of Roland, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Roland, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Roland and other parties to whom the City of Roland may report. This report is not intended to be and should not be used by anyone other than these specified parties.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
November 8, 2014

FINDINGS AND RECOMMENDATIONS

City of Roland
FINDINGS AND RECOMMENDATIONS
For the period July 1, 2013 through June 30, 2014

A. SEGREGATION OF DUTIES

One important aspect of internal accounting 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, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll- recordkeeping, preparing and approving hours worked.
5. Utilities – billing, collecting, depositing and posting, maintaining accounts receivable records, and entering rates.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing, approving, and posting.
8. Long-term debt – maintaining records and performing cash functions.

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

The balances in the City's general ledger were not reconciled to bank account balances throughout the year. The outstanding deposit and check listings generated by the financial system incorrectly included transactions occurring after the end of the month and adjustments as reconciling items relating to prior years. Also, there is no independent review of the bank reconciliation.

Recommendation

The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly. Outstanding deposit and check listings should be prepared as of month end. Variances, if any, should be reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

C. FINANCIAL REPORTS

Although monthly Clerk's reports are prepared, the reports do not agree with the general ledger or bank balances. Specifically, the cash balances on the balance sheet do not agree both in total and by fund to the balances on the summary of funds receipts and disbursements ending balances. In addition, disbursements, beginning and ending fund balances reported on the Annual Financial Report (AFR) did not agree with the City's financial records.

Recommendation

The City should establish procedures to ensure the monthly Clerk's reports and Annual Financial Report reconcile to the general ledger and bank balances.

City of Roland
FINDINGS AND RECOMMENDATIONS (continued)
For the period July 1, 2013 through June 30, 2014

D. TAX INCREMENT FINANCING

Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City had a cash balance of \$39,537 at June 30, 2014 in the Special Revenue, Urban Renewal Tax Increment Fund (TIF Fund). However, the City had no outstanding TIF obligations at that date. Chapter 24.21 of the Code of Iowa requires, when the necessity for maintaining the TIF Fund ceases to exist, the excess balance remaining in the fund, if any, be remitted to the County Treasurer and allocated to the respective taxing districts.

Recommendation

The City should consult legal counsel to determine the disposition of excess monies in the Special Revenue, Urban Renewal Tax Increment Fund. If the City has no further tax increment financing debt, the \$39,537 should be remitted to the County Treasurer in accordance with Chapter 24.21 of the Code of Iowa.

E. 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.

F. LOCAL OPTION SALES TAX (LOST)

The City's LOST ballot requires LOST receipts be used 50% for property tax relief, 25% for capital improvements and 25% for community improvements. The City's LOST receipts are credited to the General Fund and no documentation is maintained to support how the funds were used or the unspent balances held for the specified purposes.

Recommendation

The City should establish procedures to properly account for LOST receipts, disbursements and balances in accordance with the LOST ballot provisions.

City of Roland
FINDINGS AND RECOMMENDATIONS (continued)
For the period July 1, 2013 through June 30, 2014

G. BUSINESS TRANSACTIONS

Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brian Hill, City Council Member, father-in-law owns Hall Backhoe and Trenching	Repair and snow removal	\$16,146
Brian Hill, City Council Member, father-in-law owns Hall Backhoe and Trenching	Vine Street Water Project Contract	\$191,863

In accordance with Chapter 362.5(k) of the Code of Iowa, the above transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year.

Recommendation

If not properly bid and awarded, the City should consult legal counsel to determine the disposition of this matter.

H. CERTIFIED BUDGET

Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the community and economic development and debt service 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.

I. DISBURSEMENTS

Supporting documents are not furnished to the check co-signer prior to co-signing the checks. Approval of payments are not documented by the signature or initials of the reviewer and the date of review on the supporting documentation. Also, supporting documentation for claims are not cancelled to prevent reuse. Some of these procedures were implemented during fiscal year 2014, however, some supporting documentation is not being stamped as paid to prevent reuse.

Recommendation

Supporting documents for disbursements should be reviewed by the check signers prior to co-signing checks. 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.

City of Roland
FINDINGS AND RECOMMENDATIONS (continued)
For the period July 1, 2013 through June 30, 2014

J. PAYROLL

The City Clerk reviews all employees' work hours reported for reasonableness. However, the City Clerk's hours are not reviewed by an independent person. Also, an independent person does not review and approve new hire pay rates or changes entered on the computer system.

Recommendation

Procedures should be established to ensure independent review of all employee hours worked. Also, an independent person should review and approve new hire pay rates entered in the computer system.

K. URBAN RENEWAL ANNUAL REPORT

The beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the December 1, 2013 Levy Authority Summary did not agree with the City's general ledger. The ending cash balance was reported as \$-0- but the actual balance was \$39,447. Also, the receipts and disbursements reported were understated.

Recommendation

The City should ensure cash balances, receipts and disbursements reported on the Levy Authority Summary agree with the City's records.

L. SEPARATELY MAINTAINED RECORDS

The City of Roland Fire Department and the Municipal Swimming Pool maintain separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records. Supporting documentation was not maintained for all disbursements from the accounts.

Recommendation

Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis. Supporting documentation should be maintained to support all disbursements.

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 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.

City of Roland
FINDINGS AND RECOMMENDATIONS (continued)
For the period July 1, 2013 through June 30, 2014

N. PETTY CASH AND CHANGE FUND

The petty cash and change fund are not maintained at the authorized amount. The petty cash and change fund is not reconciled monthly and the general ledger is not adjusted accordingly.

Recommendation

The City Council should maintain the authorized amount in the petty cash and change fund. Procedures should be established to ensure the petty cash and change fund is reconciled monthly and recorded in the financial system.

O. JOURNAL ENTRIES

Supporting documentation was not always retained for journal entries and entries did not show evidence of approval by an independent person.

Recommendation

The City should retain supporting documentation for all journal entries and all entries should be reviewed and document evidence of approval.

P. FORM 1099's

The City had a list of who was given 1099's but were not able to locate copies of the 1099's.

Recommendation

Copies of year end tax forms like 1099's should be maintained.

Q. DEFICIT FUND BALANCES

The City had deficit fund balances in the Library and Housing Grant Special Revenue Funds and in the Capital Projects Fund.

Recommendation

The City should investigate alternatives to eliminate their deficit balances.

R. CITY COUNCIL MINUTES

Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting and Chapter 21.4 requires meetings to be preceded by proper notice. Proof of publication of minutes for one meeting tested was not retained in the City's files to show compliance with these Code requirements.

Recommendation

The City should retain documentation of their compliance with the Code of Iowa dealing with proper publication of minutes and proper notice of meetings.