

CITY OF ROWLEY
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016

TABLE OF CONTENTS

Officials	3
Independent Accountant’s Report on Applying Agreed-Upon Procedures	5
Detailed Recommendations	7
(A) Segregation of Duties	8
(B) City Monthly Reports	8
(C) Reconciliation of Enterprise Revenues (Garbage and Sewer)	8
(D) Investment	9
(E) Payroll	9
(F) Accounting Policies and Procedures Manual	9

City of Rowley

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Sue Webster	Mayor	Dec 2017
Kathy Hemsath	Council Member	Dec 2019
Terri Janaszak	Council Member	Dec 2019
Lisa Parizek	Council Member	Dec 2019
Sue Fangman	Council Member	Dec 2017
Matthew Platte	Council Member	Dec 2017
Deb Hemsath	City Clerk	Indefinite

City of Rowley

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 Rowley for the period April 1, 2015 through March 31, 2016. The City of Rowley'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 2015 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 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 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. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
11. 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.
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.

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Rowley, 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 Rowley and other parties to whom the City of Rowley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Community CPA

Community CPA & Associates Inc

July 26, 2016

Detailed Recommendations

City of Rowley
Detailed Recommendations
For the period April 1, 2015 through March 31, 2016

- (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:
- Cash – handling, reconciling and recording.
 - Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
 - Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - Payroll – recordkeeping, preparing and distributing.
 - Utilities – billing, collecting, depositing and posting.
 - Financial reporting – preparing and reconciling.
 - Journal entries – preparing and journalizing.

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 and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Monthly Reports - City monthly reports (Treasurer’s Report) presented to the City Council do not show fund activity by fiscal year, and therefore cannot be compared to annual budgets. Consequently, there is no evidence that the City Council monitors performance against the fiscal year’s approved budget. Inadequacies in budgetary controls may remain undetected.

Recommendation – The City should include additional columns on the Treasurer’s Report to show fiscal year activities and approved budgets. It should also compare budgets versus actuals for the fiscal year-to-date. Additionally, City should implement computer software to generate Treasurer’s Report in order to enhance accuracy and efficiency.

- (C) Reconciliation of Enterprise Revenues (Garbage and Sewer): The City does not perform a reconciliation of Enterprise Revenues on a periodic basis. Errors and misstatements on these account balances would remain undetected. We performed analytical procedures over Enterprise Revenues and no material differences were identified.

City of Rowley
Detailed Recommendations
For the period April 1, 2015 through March 31, 2016

Recommendation – Each fund account should be reconciled monthly. The reconciliation should be reviewed by a qualified City Official. The review should be documented by the signature or initials of the reviewer and the date of the review.

- (D) Investment – The City has not adopted a written investment policy that complies with the provisions of 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.

- (E) Payroll – The City of Rowley has six part-time staff (excluding City Mayor and Council members) of which three are on hourly pay. Hourly staff time sheets and pay slips did not include evidence of supervisory review. Additionally, one part-time employee received a paycheck in December 2015 without the time sheets.

Recommendation – All time sheets should be approved and initialed by the employee's supervisor or by a qualified City official who is not involved with payroll. Also, part-time hourly employees should only be paid on the basis of the approved time sheets.

- (F) 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:

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