

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

April 2, 2018

Contact: Marlys Gaston
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Griswold, 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 control possible. The City should also establish procedures to ensure a monthly City Clerk's report which includes a comparison of actual disbursements to the certified budget by function and a summary of receipts, disbursements, transfers and fund balances by fund is provided to the City Council. In addition, the City should ensure disbursements are approved by the City Council prior to payment.

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/1721-0130-BLOF>.

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CITY OF GRISWOLD

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 Griswold

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeb Peck	Mayor	Jan 2018
Barry Moore	Council Member	Jan 2018
Jared Wyman	Council Member	Jan 2018
Ryan Askeland	Council Member	Jan 2020
Lisa Cook	Council Member	Jan 2020
Carmen Sorensen	Council Member	Jan 2020
Laura Hansen (Appointed Aug 2016)	City Manager	Indefinite
Marylynne Lightner	City Clerk/Treasurer	(Resigned Jul 2016)
Hannah Bierbaum (Appointed Aug 2016)	City Clerk/Treasurer	Indefinite
David Wiederstein	Attorney	Indefinite

City of Griswold



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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 Griswold 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 Griswold's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and 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 2017 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 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 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.
11. 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.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. 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.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. 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 Griswold 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

March 14, 2018

Detailed Recommendations

City of Griswold

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) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – recordkeeping, investing, custody of investments and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (7) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
- (8) Debt – recordkeeping, compliance and debt payment processing.
- (9) Financial reporting – preparing and reconciling.

For the City of Griswold Fire Department, the City of Griswold Library Trust and the Youth Sports Complex, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, recording and reconciling.
- (2) Disbursements – preparing, recording and reconciling.
- (3) Cash – handling, reconciling and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City, the Fire Department, the Library Trust and the Youth Sports Complex officials 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 and journal entries should be documented by the signature or initials of the reviewer and the date of the review.

City of Griswold

Detailed Recommendations

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

- (B) Management Financial Information – The City Clerk’s financial reports to the City Council included cash and investment balances and monthly receipts and disbursements, but did not include comparisons of actual disbursements to the certified budget by function or a summary of the beginning balance, receipts, disbursements, transfers and ending balance by fund.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendment to the certified budget, the City Clerk’s monthly financial reports to the City Council should include comparisons of actual disbursements to the certified budget by function. Also, the monthly financial reports should include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

- (C) Separately Maintained Records – The City of Griswold Fire Department, the City of Griswold Library Trust and the Youth Sports Complex maintain separate accounting records for certain operations. These transactions and resulting balances are not included in the City’s accounting records nor do they maintain a ledger of receipts, disbursements and ending balances.

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. In addition, all City accounts should maintain a ledger of receipts, disbursements and ending balances.

- (D) Payroll – One of five time sheets tested did not include evidence of supervisory review. In addition, the approved wage rate for the Library Director salary could not be verified as properly approved because the increase included in the Library meeting minutes did not specify a dollar amount.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll. Approval of the time sheets should be documented by the signature or initials of the supervisor and the date of approval. In addition, approved wages and wage increases for all employees should be adequately documented in the City Council minutes by specifying the specific approved annual salary amount or hourly rate.

- (E) City Council Disbursement Approval – The City Council approves a listing of disbursements (claims listing) each month. Three transactions for the City of Griswold were not identified on the claims listing and were not approved by the City Council. In addition, two Library Trust, two Youth Sports Complex and one Fire Department transaction tested were not approved by the City Council.

Recommendation – The City should adopt a written disbursement policy allowing payment of certain bills prior to City Council approval. All City disbursements should be approved by the City Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to City Council approval, a listing should be provided to the Council at the next City Council meeting for review and approval.

City of Griswold

Detailed Recommendations

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

- (F) Business Transactions – Business Transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows.

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
J.D. Wyman, father of City Council Member, owner of J.D. Wyman Service and Wyman Carquest	Auto repairs	\$ 4,866

In accordance with Chapter 362.5(3)(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 and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of the matter.

- (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 of Griswold Library Trust does not retain paper or electronic images of cancelled checks. The City of Griswold Fire Department and the Youth Sports Complex do not retain electronic images of the back of cancelled checks.

Recommendation – The City of Griswold Fire Department, the City of Griswold Library Trust and the Youth Sports Complex should retain an image of both the front and back of each cancelled check, as required.

- (H) Bank Reconciliation – The cash balances in the City’s general ledger were reconciled to bank accounts throughout the year. However, bank reconciliations are not reviewed by an independent person. In addition, for the City of Griswold Fire Department, the City of Griswold Library Trust and the Youth Sports Complex, bank balances were not reconciled to the book balances.

Recommendation – The City of Griswold Fire Department, the City of Griswold Library Trust and the Youth Sports Complex should establish procedures to ensure bank and investment account balances are reconciled to the general ledger balances monthly and all bank reconciliations should be reviewed by an independent person.

- (I) 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.

City of Griswold

Detailed Recommendations

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

- (J) Debit Cards – The City has a debit card for use by the Youth Sports Complex staff. During fiscal year 2017, one \$200 cash withdrawal was made for the cost of a pretzel machine, however a receipt was not maintained to support this purchase.

Recommendation – The City should seek an immediate accounting and support for the \$200 cash withdrawal. The City should discontinue the use of the debit card and all payments made in the form of cash and establish policies and procedures to ensure disbursements are adequately supported.

- (K) Timely Deposits – One State warrant issued to the Library and one State warrant issued to the Fire Department was not deposited timely.

Recommendation – The City should establish procedures to ensure receipts are deposited timely.

- (L) Questionable Disbursements – A Fire Department disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 5, 1979 since the public benefits to be derived have not been clearly documented was noted. This disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Griswold Music Boosters	Donation for performance at annual Fireman’s supper	\$ 150

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

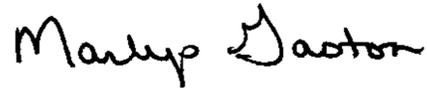
Recommendation – The City Council should determine and document the public purpose served by the disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation of public purpose. Disbursements should not be approved if the public purpose is not served.

City of Griswold

Staff

This engagement was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Christopher M. Anderson, Staff Auditor
Andy J. Salwolke, Assistant Auditor

A handwritten signature in black ink that reads "Marlys Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA
Director