



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ December 15, 2014 _____

Contact: Andy Nielsen
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, 2013 through June 30, 2014. 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 internal control possible. The City should also establish procedures to ensure an independent review of the City's utility reconciliation is performed and a monthly City Clerk's report which includes comparison of budgeted to actual receipts and disbursements, including the beginning and ending fund balance of each fund, is provided to the City Council. In addition, the City should ensure compliance with Chapters 384.18 and 362.5(k) of the Code of Iowa which relate to budget amendments and conflicts of interest, respectively.

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 <http://auditor.iowa.gov/reports/1421-0130-BL0F.pdf>

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CITY OF GRISWOLD
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014

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City of Griswold

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January 2014)</u>		
Lee Wyman	Mayor	Jan 2016
Julie Adams	Council Member	Jan 2014
Jared Wyman	Council Member	Jan 2014
Ryan Askeland	Council Member	Jan 2016
Lisa Cook	Council Member	Jan 2016
Larry Mundorf	Council Member	Jan 2016
Chelsea Huisman	City Manager	(Contract ended Sept 19, 2013)
Marylynne Dickinson	City Clerk/Treasurer	Indefinite
David Wiederstein	Attorney	Indefinite
<u>(After January 2014)</u>		
Lee Wyman	Mayor	Jan 2016
Ryan Askeland	Council Member	Jan 2016
Lisa Cook	Council Member	Jan 2016
Larry Mundorf	Council Member	Jan 2016
Barry Moore	Council Member	Jan 2018
Jared Wyman	Council Member	Jan 2018
Nick MacGregor	City Manager	(Contract effective January 2, 2014)
Marylynne Lightner	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, 2013 through June 30, 2014. The City of Griswold'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 2013 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 audit of the City of Griswold, 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 Griswold, 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 Griswold and other parties to whom the City of Griswold 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 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


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 1, 2014

Detailed Recommendations

City of Griswold

Detailed Recommendations

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

- (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) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
 - (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
 - (5) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
 - (6) Debt – recordkeeping, compliance and debt payment processing.
 - (7) Journal entries – preparing and journalizing.
 - (8) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
 - (9) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.
 - (10) Financial reporting – preparing and reconciling.
 - (11) Bank reconciliations – timely independent reviews of bank reconciliations were not documented.

For the Griswold City Fire Department account, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, posting 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 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 documented by the signature or initials of the reviewer and the date of the review.

- (B) Reconciliation of Utility Billings, Collections and Delinquent Accounts - Utility billings, collections and delinquent accounts were reconciled throughout the year, but independent reviews of the reconciliations were not documented.

Recommendation –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 Griswold

Detailed Recommendations

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

- (C) 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 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 to the certified budget by function. Also, the monthly reports should include the beginning balance, receipts, disbursements, transfers and ending balance for each fund.

- (D) Petty Cash and Change Fund – The petty cash and change fund are not maintained at the authorized amount. The petty cash drawer included additional funds over the authorized amount.

Recommendation – The petty cash and change fund should be reconciled to the authorized amount. Procedures should be established to ensure all receipts, including miscellaneous fees, are deposited intact and recorded in the financial system.

- (E) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

- (F) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the capital projects function before amendment. 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.

- (G) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
J.D Wyman, Owner of Carquest and J.D. Wyman Service, Father of Council Member and Brother of Mayor	Various auto parts and repair services	\$ 5,404

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with J.D. Wyman 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 this matter.

City of Griswold

Detailed Recommendations

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

- (H) Financial Reporting – Material amounts of receipts and disbursements for the City’s sewer project were recorded incorrectly in the City’s financial accounting records. The activity related to the City’s sewer project was funded with revenue debt, which requires the receipts and disbursements be reported in the City’s Enterprise, Sewer Fund. The activity was previously recorded in the City’s Capital Projects Fund.

Recommendation – The City should ensure all future sewer projects funded with revenue debt are recorded in the Enterprise, Sewer Fund.

- (I) Initial Receipts Listing – An initial listing of collections was not prepared or independently reviewed.

Recommendation – An initial listing of collections should be prepared and compared to the bank deposit and the accounting records by an independent person. Evidence of this review should be documented.

- (J) Annual Urban Renewal Report – The City’s beginning and ending cash balance of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary did not agree with the City’s general ledger. The amount reported by the City as outstanding TIF debt was understated by \$67,687 and the amount reported by the City as disbursements was overstated by \$25,053.

Recommendation – The City should ensure the cash balance and debt amounts reported on the Levy Authority Summary agree with the City’s records.

- (K) Separately Maintained Records – The City of Griswold Fire Department, the 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.

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.

- (L) Financial Condition – At June 30, 2014, the City had deficit balances in the following funds:

Fund	Amount
Special Revenue:	
Local Option Sales Tax	\$ 12,317
Ragbraii	2,061
Housing Project	1,875
Playground	128
Medical Reimbursement	1,404

Recommendation – The City should take immediate steps to reduce and eventually eliminate these deficits to return the funds to a sound financial condition.

City of Griswold

Detailed Recommendations

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

- (M) Revenue Bonds – The provisions of the sewer revenue bond resolution require the City to pay for its sewer usage. For the year ended June 30, 2014, the City did not pay for its sewer usage for five of twelve months.

Recommendation – The City should ensure all City departments are charged for sewer usage as required by the bond resolution provisions.

- (N) Payroll – One of eight timesheets tested did not include documentation of supervisory review. Additionally, the wage of one of six employees tested was not approved by the City Council, as required.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll. Additionally, procedures should be established to ensure approved payroll rates are entered and reviewed by an independent person, with the approval being documented.

City of Griswold

Staff

This agreed-upon procedures engagement was performed by:

Deborah J. Moser, CPA, Manager
Todd E. Pudenz, CPA, Staff Auditor
Daniel S. Nilsen, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State