



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Mary Mosiman, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

December 20, 2017

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Contact: Marlys Gaston  
515/281-5834

Auditor of State Mary Mosiman today released an agreed-upon procedures report on the City of Gillett Grove, Iowa for the period April 1, 2016 through March 31, 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 internal control possible. In addition, the City should establish procedures to ensure the City's records are maintained using fund accounting, bank reconciliations are prepared monthly and are independently reviewed and the Annual Financial Report is accurate.

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/1622-0175-EPOP>.

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**CITY OF GILLETT GROVE**  
**INDEPENDENT ACCOUNTANT'S REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**APRIL 1, 2016 THROUGH MARCH 31, 2017**

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**City of Gillett Grove**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
James Bendlin	Mayor	Jan 2014	Jan 2018
Julie Bendlin	Council Member	Jan 2014	Jan 2018
Larry Harms	Council Member	Jan 2014	Jan 2018
Cindy Koenig	Council Member	Jan 2014	Jan 2018
James Scott Jr.	Council Member	Jan 2014	Jan 2018
Lorraine Vanderpool	Council Member	Jan 2014	Jan 2018
Judy Bevers	City Clerk		Indefinite
Barry Sackett	Attorney		Indefinite

**City of Gillett Grove**



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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 Gillett Grove for the period April 1, 2016 through March 31, 2017. The City of Gillett Grove'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 2016 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 and tested selected receipts for accurate accounting and consistency with the recommended COA.

9. 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.
10. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
11. 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 Gillett Grove, 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 Gillett Grove and other parties to whom the City of Gillett Grove 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 Gillett Grove 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

November 6, 2017

## **Detailed Recommendations**

City of Gillett Grove

Detailed Recommendations

For the period April 1, 2016 through March 31, 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 accounting functions and having custody of assets.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – custody of investments and recordkeeping.
- (4) Receipts – opening mail, collecting, depositing, reconciling and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Financial reporting – preparing and reconciling.
- (7) Payroll – record keeping and preparing.

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 City’s general ledger balances were not reconciled to bank and investment account balances throughout the year. Also, outstanding check listings were not prepared and the City did not retain voided checks. For the month tested, the City Clerk’s monthly report balance was \$485 lower than the bank statement balance.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should be prepared and reviewed by an independent person. The review should be documented by the initials or signature of the reviewer and the date of the review. The City should maintain monthly outstanding check listings and voided checks should be retained.

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

A monthly City Clerk’s report, including a summary of beginning balances, receipts, disbursements and ending balances is prepared, but does not report transfers separate from receipts and disbursements. In addition, a comparison of total disbursements for all funds to the certified budget by function is not prepared.

City of Gillett Grove

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

Recommendation – To provide better financial information and control, the recommended COA, or its equivalent, should be followed. The City should review the current financial accounting system and establish procedures to require and ensure records are maintained to facilitate fund accounting required for governmental accounting and financial reporting. The City Clerk should prepare a monthly City Clerk’s report which includes transfers by fund, separate from receipts and disbursements, and comparisons of total disbursements for all funds by function to the certified budget.

- (D) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings collections and delinquent accounts were not reconciled throughout the year and delinquent account listings were not prepared monthly.

Recommendation – A listing of delinquent accounts should be prepared and retained monthly. In addition, procedures should be established to reconcile utility billings, collections and delinquent accounts 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 signing or initialing and dating the reconciliation.

- (E) Disbursements – Six of thirty disbursements tested were not properly supported by an invoice. Also, the City paid an individual \$240 for grading, tractor repair and tree services from handwritten receipts prepared by the City Clerk. The services were approved by the City Council, but the invoices were not signed or verified by the individual performing the work. One disbursement tested included sales tax. In addition, all disbursements tested were not properly classified by function and nine invoices tested were not cancelled to prevent reuse.

Recommendation – All disbursements should be supported by vendor invoices or other supporting documentation. The City should establish procedures to ensure payments are not made from receipts prepared by the City. Procedure should also be established to ensure the City does not pay sales tax. In addition, disbursements should be properly classified by function and supporting documentation should be cancelled to prevent reuse.

- (F) Payroll Internal Controls – Payroll records are not independently reviewed, including wages and deductions, to ensure proper payroll calculations. Also, timesheets are not prepared by salaried employees.

Recommendation – An independent person should review payroll records, including wages and deductions, to ensure payroll is properly calculated. The review should be documented by the signature or initials of the reviewer and the date of the review. All employees should be required to prepare timesheets each pay period. The timesheets should be signed by the employee and should be reviewed and approved by supervisory personnel prior to the preparation of payroll. The supervisor review and approval should be documented by the signature or initials of the reviewer and the date of the review/approval.

- (G) Dual Compensation – Chapter 372.13(8) of the Code of Iowa states, in part, “Except as provided in section 362.5, and elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office, but may be reimbursed for actual expenses incurred.”

City of Gillett Grove

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

During the period April 1, 2016 through March 31, 2017, the Mayor was compensated \$30 for performing snow removal for the City. This compensation violates Chapter 372.13(8) of the Code of Iowa which prohibits the Mayor from receiving compensation as a City employee while serving as Mayor.

Recommendation – The City should seek reimbursement for the \$30 improperly paid to the Mayor.

- (H) Payroll – The City Clerk and the Mayor are paid quarterly. For the quarters ending December 31, 2016 and March 31, 2017, due to calculations errors, the City Clerk was overpaid \$26 and \$21, respectively. For the quarter ending March 31, 2017, the Mayor was overpaid \$11.

Recommendations – The City should establish procedures to ensure payroll is properly calculated and should seek reimbursement from the City Clerk and the Mayor for the overpayments.

- (I) City Council Meeting 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, including a summary of receipts. Although the minutes were published within fifteen days, the City did not publish a summary of receipts.

Also, Chapter 380.7 of the Code of Iowa requires minutes to be properly signed. Minutes for four meetings reviewed were not properly signed.

Recommendation – The City should comply with the Code of Iowa and publish a summary of receipts and ensure all City Council meeting minutes are properly signed.

- (J) Change Fund – The City maintains a change fund for which no authorization could be located.

Recommendation – The City should establish, by resolution, an authorized amount for the change fund.

- (K) 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. Also, a schedule is not maintained to keep adequate record of certificate of deposit balances.

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. The City should also maintain a record of the certificate of deposit balances.

- (L) Certified Budget – Chapter 384.16(5) of the Code of Iowa requires the City Council, by resolution, adopt a budget for at least the next fiscal year. The City's fiscal year 2016 budget was not adopted by resolution.

City of Gillett Grove

Detailed Recommendations

For the period April 1, 2016 through March 31, 2017

In addition, disbursements during the year ended June 30, 2016 exceeded the amount budgeted in the business type activities function. 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 City should adopt the budget by resolution, as required. In addition, 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.

- (M) Annual Financial Report – The receipts, disbursements and balances reported in the City's fiscal year 2016 Annual Financial Report (AFR) were not supported by the City's records and the ending governmental balance was overstated by \$12,870 in comparison to the June 30, 2016 bank balance.

Recommendation – The City should ensure the Annual Financial Report receipts, disbursements and fund balances agree with the City's records.

- (N) 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 and 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 two bank accounts.

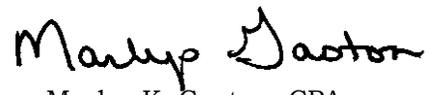
Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

City of Gillett Grove

Staff

This engagement was performed by:

Deborah J. Moser, CPA, Manager  
Christopher M. Anderson, Assistant Auditor

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

Marlys K. Gaston, CPA  
Director