



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

NEWS RELEASE

FOR RELEASE

March 22, 2018

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program for the City of Bertram, Iowa.

The City of Bertram’s Disaster Grants – Public Assistance (Presidentially Declared Disasters) program disbursements totaled \$764,845 for the year ended June 30, 2017.

A copy of the audit 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/1722-0538-BC00>.

###

**CITY OF BERTRAM
DISASTER GRANTS – PUBLIC ASSISTANCE
(PRESIDENTIALLY DECLARED DISASTERS)**

**INDEPENDENT AUDITOR'S REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2017

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-6
Schedule of Expenditures of Federal Awards	7
Note to Schedule of Expenditures of Federal Awards	9
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	11-13
Schedule of Findings and Questioned Costs	15-17
Staff	18

City of Bertram

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Drahos	Mayor	Jan 2018
Steve Carpenter	Council Member	Jan 2018
Penny Kula	Council Member	Jan 2018
Robert Malone	Council Member	Jan 2018
Bill Mulholland	Council Member	Jan 2018
Stephanie Vislisel	Council Member	Jan 2018
Lisa Berry	City Clerk	Indefinite
Donna Kephart	Treasurer	Indefinite
Kevin Shea	Attorney	Indefinite

City of Bertram

Disaster Grants – Public Assistance (Presidentially Declared Disasters)



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program of the City of Bertram, Iowa for the year ended June 30, 2017, and the related note (the financial statement).

Management's Responsibility for the Schedule of Expenditures of Federal Awards

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards for the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program for the City of Bertram for the year ended June 30, 2017, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, this financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

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 Bertram and other parties to whom the City of Bertram may report, including federal awarding agencies. This report is not intended to be and should not be used by anyone other than these specified parties


MARY MOSIMAN, CPA
Auditor of State

March 14, 2018

City of Bertram

Disaster Grants – Public Assistance
(Presidentially Declared Disasters)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2017

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
Indirect:			
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4187-DR-IA	<u>\$ 764,845</u>

See note to the Schedule of Expenditures of Federal Awards.

City of Bertram

Disaster Grants – Public Assistance (Presidentially Declared Disasters)

City of Bertram

Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Note to Schedule of Expenditures of Federal Awards

June 30, 2017

(1) Summary of Significant Accounting Policies

The City of Bertram is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1914 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

The Schedule of Expenditures of Federal Awards includes only the program disbursements of the City's Disaster Grants – Public Assistance (Presidentially Declared Disaster) program.

B. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal award activity of the City under the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Bertram, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Bertram.

C. Basis of Accounting

Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Bertram has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**



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

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for the Disaster Grants – Public Assistance (Presidentially Declared
Disasters) Program

We have audited the City of Bertram, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's Disaster Grants – Public Assistance (Presidentially Declared Disasters) program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the City's Disaster Grants – Public Assistance (Presidentially Declared Disasters) program. However, our audit does not provide a legal determination of the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program compliance.

Opinion on Compliance for the City's Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program

In our opinion, the City of Bertram complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Disaster Grants – Public Assistance (Presidentially Declared Disasters) program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

The management of the City of Bertram is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bertram's internal control over compliance with the types of requirements that could have a direct and material effect on its Disaster Grants – Public Assistance (Presidentially Declared Disasters) program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bertram's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 to be a significant deficiency.

The City of Bertram's responses to the internal control over compliance findings identified in our audit are reported in the accompanying Schedule of Findings and Questioned Costs. The City of Bertram's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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 Bertram and other parties to whom the City of Bertram may report, including federal awarding agencies, and 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 Bertram during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

MARY MOSIMAN, CPA
Auditor of State

March 14, 2018

City of Bertram

Disaster Grants – Public Assistance (Presidentially Declared Disasters)

City of Bertram

Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Part I: Summary of the Independent Auditor's Results:

- (a) An unmodified opinion was issued on the Schedule of Expenditures of Federal Awards, which was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness and a significant deficiency in internal control over the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program were disclosed by the audit of the Schedule of Expenditures of Federal Awards.
- (c) The audit did not disclose any non-compliance which is material to the Schedule of Expenditures of Federal Awards.
- (d) An unmodified opinion was issued on compliance with requirements applicable to the Disaster Grants – Public Assistance (Presidentially Declared Disasters) program.
- (e) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (f) The major program was CFDA Number 97.036 – Disaster Grants - Public Assistance (Presidentially Declared Disasters).

City of Bertram

Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Part II: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Pass-through Entity Identifying Number: FEMA-4187-DR-IA

Federal Award Year: 2017

Prior Year Finding Number: N/A

U.S. Department of Homeland Security

Passed through Iowa Department of Homeland Security and Emergency Management

2017-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – One individual in the City has control over collecting, depositing and posting cash receipts, including those related to federal programs.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

City of Bertram

Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Schedule of Findings and Questioned Costs

Year ended June 30, 2017

Response – The current Treasurer has resigned her position, so the City is in search of a replacement that will be required to provide more oversight of financial activities. The Clerk has also had discussions with elected officials about getting them more involved in reviewing all financial transactions. A formal policy has not yet been drafted, but will be once we work out the details.

Conclusion – Response accepted.

2017-002 Untimely Deposits

Criteria – All receipts should be deposited in a timely manner.

Condition – Two of five receipts tested were not deposited in a timely manner. These receipts were deposited 24 and 99 days after the receipt date.

Cause – The City does not have a centralized mail box from which to collect mail on a regular basis.

Effect – Receipts have a higher risk of misappropriation if not deposited timely.

Recommendation – The City should establish a centralized mail box for all correspondence related to City business and deposit receipts in a timely manner.

Response – Effective immediately, the Clerk notifies the Mayor when reimbursement checks are expected from the State of Iowa. This way, the Mayor knows to watch for them and turn over to the Clerk as soon as possible for logging and deposit. The City will need to discuss the best option for mail since City Hall is not always open/monitored.

Conclusion – Response accepted.

City of Bertram

Staff

This audit was performed by:

Jennifer L. Wall, CPA, Manager
Jesse J. Probasco, CPA, Senior Auditor
Jason J. Miller, 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