



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

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NEWS RELEASE

FOR RELEASE

June 28, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an agreed-upon procedures report on the City of Griswold, Iowa for the period July 1, 2017 through June 30, 2018. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand 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.

A copy of the agreed-upon procedures report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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CITY OF GRISWOLD
AUDITOR OF STATE'S INDEPENDENT REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2017 THROUGH JUNE 30, 2018

City of Griswold



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Rob Sand
Auditor of State

June 20, 2019

Officials of the City of Griswold
Griswold, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the agreed-upon procedures report for the City of Griswold, Iowa, for the year ended June 30, 2018. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa and 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.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Griswold throughout the agreed-upon procedures engagement. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Griswold

Officials

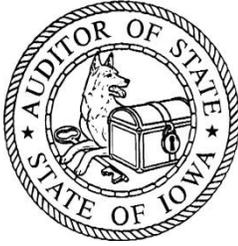
(Before January 2018)

<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	City Manager	Indefinite
Hannah Bierbaum	City Clerk/Treasurer	Indefinite
David Wiederstein	Attorney	Indefinite

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Brad Rhine	Mayor	Jan 2022
Ryan Askeland	Council Member	Jan 2020
Lisa Cook	Council Member	Jan 2020
Carmen Sorensen	Council Member	Jan 2020
Julie Adams	Council Member	Jan 2022
Carol Preston	Council Member	Jan 2022
Laura Hansen	City Manager	Indefinite
Hannah Bierbaum	City Clerk/Treasurer	Indefinite
David Wiederstein	Attorney	Indefinite

City of Griswold



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Auditor of State's Independent Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of 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, 2017 through June 30, 2018. 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 2018 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.

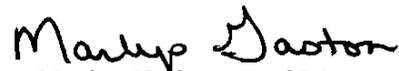
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt 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.


Marlys K. Gaston, CPA
Deputy Auditor of State

June 20, 2019

Detailed Recommendations

City of Griswold

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

(A) Segregation of Duties – 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. 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.

(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

City of Griswold

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

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 – 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, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The City of Griswold Fire Department, the City of Griswold Library Trust and the Youth Sports Complex maintain bank accounts for activity separate from the City Clerk’s accounting records. While these Departments are part of the City, the transactions and resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account’s receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Fire Department, the Library Trust and Youth Sports Complex separate accounts should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

- (D) 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 Fire Department does not retain electronic images of the back of cancelled checks.

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

- (E) Bank Reconciliation – Although monthly bank reconciliations were prepared, the reconciliations did not include all City investment account balances. 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 should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. 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.

City of Griswold

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

- (F) 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.

- (G) Timely Deposits – Two State warrants issued to the Library and one State warrant issued to the Fire Department were not deposited timely.

Recommendation – The City should establish procedures to ensure receipts are deposited timely (i.e., weekly).

- (H) Questionable Disbursement – A Youth Sports Complex 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>
Shawn Askeland	Gift card for volunteer work done at the Youth Sports Complex	\$ 100

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 public purpose is not served.

- (I) Youth Sports Complex Funds – Effective December 4, 2017, the Griswold Youth Sports Complex, Inc. formed a Chapter 501c3 non-profit corporation. Subsequent to June 30, 2018, approximately \$12,000 of funds held by the City for the Griswold Youth Sports Complex were transferred to the Griswold Youth Sports Complex, Inc.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 of the Constitution of the State of Iowa states, “... no public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the general assembly.”

We previously requested a letter of advice from the Iowa Attorney General regarding the propriety of a gift to a private non-profit organization. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2008. The advice letter states, in part:

"... I do not believe that a City library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of

City of Griswold

Detailed Recommendations

For the period July 1, 2017 through June 30, 2018

control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be 'public funds,' subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking."

Recommendation – A 28E agreement, as described in the advice letter does not exist. We are not aware of any statutory authority for the City to relinquish its fiduciary responsibility over its public funds to a separate non-profit organization. The City should recover the remaining funds provided to the Youth Sports Complex, including all income derived from the investment of the funds from the time they were remitted to the Griswold Youth Sports Complex, Inc. In addition, the City should require an immediate accounting for these public funds from the date of donation.

- (J) Local Option Sales Tax – The City's local option sales tax (LOST) ballot requires LOST receipts be used 15% for property tax relief, 30% for capital improvements, 30% for community betterment, and 25% for community protection. The City has not tracked the use and unspent balance of LOST receipts to demonstrate compliance with the ballot requirements.

Recommendation – The City should properly track the use of LOST receipts, including the unspent balance, to demonstrate compliance with the LOST ballot.

- (K) Financial Condition – At June 30, 2018, the City had a deficit balance of \$2,011 in the Enterprise, Storm Water Fund.

Recommendation – The City should investigate alternatives to eliminate the deficit to return the fund to a sound financial position.

- (L) Payment of General Obligation Bonds – Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund." The City paid its general obligation debt payments from the Capital Projects Fund.

Recommendation – General obligation debt payments should be recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

- (M) Debit Cards – The City has a debit card for use by the Youth Sports Complex. During fiscal year 2018, one \$36 cash withdrawal was made to pay for reprinted bank statements. A cash withdrawal was made in the amount of \$250 for start-up cash for the concession stand. An invoice was not maintained to support the payment for reprinted statements. Although the auditor confirmed a deposit was made in the same months and a deposit exceeding \$250 was made at the end of the season, the deposit documentation did not separately identify the start-up cash.

Recommendation – 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. The deposit slip for re-deposited start-up cash should clearly identify the start-up cash versus concession receipts.

City of Griswold

Staff

This engagement was performed by:

Marlys K. Gaston, CPA, Deputy
Selina V. Johnson, CPA, Senior Auditor II
Christopher M. Anderson, Staff Auditor
Jon G. Hanson, Assistant Auditor