



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 30, 2021

Contact: Ernest Ruben
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, 2019 through June 30, 2020. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Sand reported ten findings related to the receipt and disbursement of taxpayer funds. They are found on pages 9 through 12 of this report. The findings address issues such as a lack of segregation of duties, the Fire Department bank account held outside of the City's control, Fire Department questionable disbursement and moneys provided to non-profit corporations in violation of Article III, Section 31 of the Constitution of Iowa. Sand provided the City with recommendations to address each of the findings.

Six of the ten findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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/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, 2019 THROUGH JUNE 30, 2020

City of Griswold



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March 22, 2021

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 period July 1, 2019 through June 30, 2020. 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".

Rob Sand
Auditor of State

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City of Griswold

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term 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	Indefinite
David Wiederstein	Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Rhine	Mayor	Jan 2022
Julie Adams	Council Member	Jan 2022
Carol Preston	Council Member	Jan 2022
Ryan Askeland	Council Member	Jan 2024
Carmen Sorensen	Council Member	Jan 2024
Kirk Stapleton	Council Member	Jan 2024
Laura Hansen	City Manager	(Resigned May 2020)
Ted Marciniak (Appointed Sep 2020)	City Manager	Indefinite
Hannah Bierbaum	City Clerk	(Resigned May 2020)
Barbara Teaney (Appointed Apr 2020)	City Clerk	Indefinite
David Wiederstein	Attorney	Indefinite

City of Griswold



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Rob Sand
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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 procedures to selected accounting records and related information of the City of Griswold for the period July 1, 2019 through June 30, 2020, 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 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 observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of 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 observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed 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 scanned 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 observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.

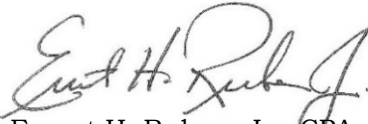
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We scanned 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 observed 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 traced selected receipts to accurate accounting and consistency with the recommended COA.
13. The City had no voter approved levies.
14. We traced selected disbursements to 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.
15. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
17. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and 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 findings and 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.



Ernest H. Ruben, Jr., CPA
Director

March 22, 2021

Detailed Findings and Recommendations

City of Griswold

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

(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 and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (5) Utilities – maintaining detailed accounts receivable and write-off records.
- (6) Disbursements – purchasing, invoice processing, mailing, reconciling and recording.
- (7) Payroll – entering rates into the system, preparing and distributing.
- (8) Debt - recordkeeping, compliance and debt payment processing.

For the City of Griswold Fire Department, 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 and Fire Department 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, a summary of monthly receipts and disbursements, transfer-out activity, ending balances by fund and a comparison of actual disbursements to the certified budget by function. However, the summary did not include the beginning balances by fund or transfer-in activity.

Recommendation – The monthly financial reports should include a summary of the beginning balances, receipts, disbursements, transfer-in and transfer-out activity and ending balances for each fund.

City of Griswold

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (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 maintains a bank account for activity separate from the City Clerk’s accounting records. While this Department is 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 this account were not reported to the City Council and disbursements from the account were not reviewed and approved by the City Council. Also, a summary of the 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 account 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 this account should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of the account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

- (D) Bank Reconciliations – For the City of Griswold Fire Department, bank balances were not reconciled to the book balance.

Recommendation – The City of Griswold Fire Department should establish procedures to ensure bank account balances are reconciled to the general ledger monthly.

- (E) Official Depositories – While a resolution naming official depositories has been adopted by the City, the maximum deposit amount stated in the resolution for one bank was exceeded during the year ended June 30, 2020.

Recommendation – A new resolution in an amount sufficient to cover anticipated balances at the approved depository should be adopted by the City.

- (F) Utility System Reconciliation – The June 30, 2020 utility system reconciliation was not reviewed by an independent person.

Recommendation – The City Council or other independent person designated by the City Council should review the monthly utility reconciliations and monitor delinquent accounts. The independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

- (G) Journal Entries – Journal entries were not reviewed and approved by an independent person.

Recommendation – An independent person should review and approve journal entries. The approval should be documented by signing or initialing and dating the journal entries.

City of Griswold

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

- (H) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. We noted the following disbursement which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented.

Paid to	Purpose	Amount
Griswold Golf & Country Club	Meal for Firefighters after training	\$ 115

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 these types of disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper public purpose documentation. Disbursements should not be approved if public purpose is not served.

- (I) Certified Budget – At June 30, 2020, disbursements exceeded the amount budgeted in the debt service 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 budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursement were allowed to exceed the budget.

- (J) Private Non-Profit Organizations – 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 noted the following:

- Effective December 4, 2017, the Griswold Youth Sports Complex, Inc. formed a Chapter 501c3 non-profit corporation. Subsequent to June 30, 2018, \$11,294 of funds held by the City for the Griswold Youth Sports Complex were transferred to the Griswold Youth Sports Complex, Inc.
- Effective July 30, 2007, Friends of the Griswold Public Library formed a Chapter 501c3 non-profit corporation which included two bank accounts: Friends of the Library and City of Griswold Library Trust. Grant money received using the City’s Tax ID number were deposited in the City of Griswold Library Trust bank account. On December 7, 2017, the Griswold Library Trust account was closed and the remaining balance of \$179, was transferred to the Friends of the Library account.

City of Griswold

Detailed Findings and Recommendations

For the period July 1, 2019 through June 30, 2020

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 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."

The Griswold Youth Sports Complex, Inc. and the Friends of the Griswold Public Library have not provided the City with an accounting for these public funds.

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, Inc. and the Friends of the Library, including all income derived from the investment of the funds from the time they were remitted to the Griswold Youth Sports Complex, Inc. and the Friends of the Library. In addition, the City should require an immediate accounting for these public funds from the date of the donation.

City of Griswold

Staff

This engagement was performed by:

Ernest H. Ruben, Jr., CPA, Director
Suzanne R. Dahlstrom, CPA, Manager
Megan A. Waldbillig, Staff Auditor
Sarah B. Roemer, Assistant Auditor